

C O N T E N T S	Page
Company Profile	2
Company Information	3
Mission & Vision Statement	4
Statement of Ethics and Business Practices	5
Notice of Annual General Meeting	7
Directors' Report	8
Performance Overview	16
Statement of Compliance with The Code of Corporate Governance	20
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	22
KOHINOOR MILLS LIMITED	
Auditors' Report to the Members	24
Financial Statements	26-69
KOHINOOR MILLS LIMITED AND ITS SUBSIDIARY	
Directors' Report	72
Auditors' Report to the Members	73
Financial Statements	74-120
Pattern of Shareholding	121
Form of Proxy	



COMPANY PROFILE

Kohinoor Mills Limited's vision is to achieve and then remain as the most progressive and profitable textile organization in Pakistan. Incorporated in 1987 as a small weaving mill, today Kohinoor Mills broadly undertakes three major businesses, weaving, processing, and power generation. It has, and continues to develop, a portfolio of businesses that are major players within their respective industries. Bringing together outstanding knowledge of customer needs with leading edge technology platforms your company undertakes to provide superior products to its customers.

With an annual turnover of over Rs. 5 billion, today Kohinoor Mills Limited employs over 1,500 employees. It aims to create superior value for Kohinoor's customers and stakeholders without compromising its commitment to safety, environment and health for the communities in which it operates. Its products range from greige fabric to processed fabric.

Company Information

Board of Directors

Mr. Aamir Fayyaz Sheikh	Chief Executive /Chairman
Mr. Asad Fayyaz Sheikh	Director
Mr. Ali Fayyaz Sheikh	Director
Mr. Rashid Ahmed	Director
Mr. Kamran Shahid	Director
Mr. Aamir Amin	Director (NIT Nominee)
Mr. Tahir Bashir Solehria	Director

Audit Committee

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Ali Fayyaz Sheikh	Member

Chief Financial Officer

Mr. Kamran Shahid

Head of Internal Audit

Mr. Faisal Sharif

Legal Advisors

- Raja Mohammad Akram & Co.,
Advocate & Legal Consultants,
Lahore.
- Malik Muhammad Ashraf Kumma
Advocate

Company Secretary

Mr. Muhammad Rizwan Khan

Auditors

M/s. Riaz Ahmad & Co.,
Chartered Accountants.

Registered Office & Mills

8th K.M. Manga Raiwind Road,
District Kasur.

UAN: (92-42) 111-941-941
CELL LINES: (92-333) 4998801-10
LAND LINES: (92-42) 35391941-45
FAX: (92-42) 35391946 & 35393459
EMAIL: info@kohinoormills.com
WEBSITE: www.kohinoormills.com

Shares Registrar

M/s. Hameed Majeed Associates (Pvt.) Ltd.
HM House, 7 Bank Square, Lahore.
LAND LINES: (92-42) 37235081 & 82
FAX: (92-42) 37358817

Bankers

- Allied Bank Limited
- Al Baraka Islamic Bank B.S.C. (E.C)
- Askari Bank Limited
- Bank Alfalah Limited
- Faysal Bank Limited
- Habib Bank Limited
- MCB Bank Limited
- National Bank of Pakistan
- NIB Bank Limited
- Silk Bank Limited
- Standard Chartered Bank (Pakistan) Ltd
- The Bank of Punjab
- United Bank Limited

Liaison Office

Room No. 301-302, 3rd Floor, Regency Plaza,
Gulberg 3, Lahore

LAND LINES: (92-42) 35757461-5
FAX: (92-42) 35757460

Stock Exchange

Kohinoor Mills Limited is a public limited Company and its shares are traded under personal goods sector at all three Stock Exchanges of Pakistan.

MISSION & VISION STATEMENT

The Kohinoor Mills Limited's stated mission is to become and then remain as the most progressive and profitable company in Pakistan in terms of industry standards and stakeholders' interest.

The Company shall achieve its mission through a continuous process of having sourced, developed, implemented and managed the best leading edge technology, industry best practices, human resource and innovative products and services and sold these to its customers, suppliers and stakeholders.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Introduction to the Statement

This Statement has been formulated to ensure that directors and employees of the Company operate within acceptable standards of conduct and sound business principles which strive for development and growth. The Company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society.

Contents

This statement identifies the acceptable standards under following headings:

- Core values
- Business culture
- Responsibilities

Core values

The credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity, and respect. The Company strongly believes in democratic leadership style with fair, transparent, ethical and high professional standards of conduct in all areas of business activities.

Operations

The Company shall formulate and monitor its objectives, strategies and overall business plan of the organization.

The Company shall be continuously involved in the research and development of new products while improving quality of existing products using highest level of quality control measures at every stage of its operations. Creativity and innovation must prevail at all levels of hierarchy to achieve organizational excellence.

Abidance of Law

It is Company's prime object to comply with all applicable laws and regulations and to co-operate with all governmental and regulatory bodies.

Corporate Reporting and Internal Controls

The Company maintains effective, transparent and secure financial reporting and internal control systems so as to ensure reliable performance measurement and compliance with local regulations and international accounting standards as applicable.

The Company strictly adheres to the principles of good corporate governance and is committed to high standards of corporate governance.

The Company regularly updates and upgrades manufacturing and reporting systems so as to keep abreast with technological advancements and achieve economies of production.

Integrity and Confidentiality

The Company believes in uprightness and expects it to be a fundamental responsibility of employees to act in Company's best interest while holding confidential information and neither to solicit internal information from others nor to disclose Company's figures, data or any material information to any unauthorized person/body.

Inside information about the Company, its customers, vendors, employees shall not be used for their own gain or for that of others directly or indirectly.

Responsibilities

Shareholders

The Company believes in maximizing shareholders value by providing consistent growth and fair return on their investment.

Customers

The Company considers it imperative to maintain cordial relationship with the customers as integral to its growth and development of business and is committed to provide high quality products and services that conform to highest international standards

Employees

The Company is an equal opportunity employer at all levels with respect to issues such as color; race, gender, age; ethnicity and religious beliefs and its promotional policies are free of any discrimination.

The Company ensures that employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and good citizens.

The Company believes in continuous development and training of its employees.

The Company has set high standards of performance and recognizes employee's contribution towards its growth and reward them based on their performance. The Company believes development, growth and recognition result in motivated employees.

All employees of the Company are part of Kohinoor family and the families of all members are also part and parcel of Kohinoor family. The Company believes that the sense of belonging to Kohinoor fulfils an essential need of its employees and the organization and as such will always be nurtured

Environment and Social Responsibility

Protecting the environment in which we live is an important element. The Company uses all means to ensure a clean, safe, and healthy and pollution free environment not only for its workers and employees but also for the well being of all people who live in and around any of the production and manufacturing facilities. The Company will always employ such technology as may be beneficial in maintaining a healthy and hygienic working environment. It also believes in community development without political affiliations with any person or group of persons and contributes part of its resources for a better environment with an unprejudiced approach.

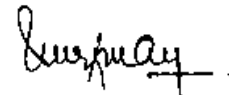
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting (AGM) of the members of Kohinoor Mills Limited (the Company) will be held on Monday, 31st day of October, 2011 at 03:00 p.m. at the Registered Office of the Company situated at 8th Kilometer, Manga Raiwind Road, District Kasur, to transact the following business: -

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on February 24, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2011, together with Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending June 30, 2012 and fix their remuneration.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



(MUHAMMAD RI ZWAN KHAN)
Company Secretary

Kasur: 08 October 2011

NOTES

1. The shares transfer books of the Company will remain closed from October 25, 2011 to October 31, 2011 (both days inclusive).
2. A member entitled to attend and vote at AGM may appoint a person/representative as proxy to vote in place of member at the meeting. Proxies in order to be effective must be received at the Company's Registered Office duly stamped and signed not later than 48 hours before the time of holding meeting. A member may not appoint more than one proxy. A copy of shareholder's attested Computerized National Identity Card (CNIC) must be attached with the proxy form.
3. The CDC account holders / sub account holders are requested to bring with them their CNIC along with participant(s) ID numbers and their account numbers at the time of attending the meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. Members are requested to promptly notify change in their addresses, if any, to Shares Registrar of the Company i.e., M/s. Hameed Majeed Associates (Pvt.) Limited, HM House, 7 Bank Square, Lahore

Directors' Report

The Directors of the Company present the audited financial statements for the year ended June 30, 2011. These accounts are presented in accordance with the requirements of Companies Ordinance, 1984.

Textile Industry Outlook

The financial year (FY) 2010-11 continued to be another tough year for the Pakistani economy as a whole, especially in the aftermath of the worst floods of the country in recent history, which forced diversion of meager economic resources of the country away from all other avenues, including the much-needed support of the industry. Further, continuing adverse power crisis, precarious security situation and fragile geopolitical environment of the region continued to depress the overall economic outlook. The situation was especially worsened for Pakistani value-added textile industry during most part of the year which also faced raw-material shortage and unprecedented hike in prices of cotton lint, which touched Rs. 12,500 per maund for the first time in history. In comparison, the average cotton lint price last year was Rs. 5,000 per maund. However, raw material prices recorded slight decrease with improved availability in later part of the year. In other factors, the continuing global economic recession, with dampened overall demand in the US and European markets, escalating cost of doing business in Pakistan due to worsening gas and electricity load-shedding and increase in labor costs made the operating environment more unfavourable for the whole industry.

In the current economic scenario, with the Government engaged at several fronts, including "war on terror", flood relief and power-crisis, the continued relief for a depressed textile industry is very much unlikely to be high on its agenda.

Going concern assumption

The company incurred loss after taxation of Rupees 1,396 million for the current financial year ended 30 June 2011. These continuing losses have resulted in erosion of company's reserves and depletion of working capital base. The company has defaulted on all its long-term loans and most of its short term facilities and mark-up payments.

In order to turn the current state of affairs around, the management devised a detailed strategy for debt and corporate restructuring. With its long experience in fabric business, the management believes that the company can benefit from its expertise in production, marketing and selling of griege and dyed fabric better than other businesses and that current circumstances warrant that the company should focus solely on its core competencies. Therefore, the revised strategy envisages increased focus on its core business of griege and dyed fabric and divestment from hosiery and apparel operations.

To improve the company's financial position, the sale proceeds from non-core business assets were to be utilized for partial settlement of the company's bank liabilities and replenishment of its working capital base. The banks were to be approached for restructuring of residual debt.

The major sources identified for funds generation were as follows:

- Sale of Assets in Hosiery and Apparel Divisions
- Sale of Short term investment in Security General Insurance Company Limited.
- Sale of Surplus Industrial Land
- Further injection of Equity Capital through Rights Issue.

Accordingly, the Sale of Assets of Hosiery Division and land and building of Apparel Division was concluded with M/s Interloop Limited, on 9 April 2011, for a total consideration of PKR 1,900 million. Out

of these proceeds, PKR 1,200 million was utilized to repay the bank loans and PKR 700 million were utilized for replenishment of working capital in remaining core businesses.

The shares in Security General Insurance Company Limited were sold to Allied Bank Limited in a debt-asset swap.

A mandate has been awarded to National Bank of Pakistan for sale of surplus industrial land about 45 acres through competitive bidding between the lenders of the company. The successful bidder will settle its debt in a debt-asset swap.

The sponsor directors have offered some of their personal properties for sale to the company's lenders through an open bidding and the proceeds shall be utilized for debt swap of the company.

For restructuring of the residual debt in second phase, the company has obtained the "in principle" approval from most of the bankers for the proposed settlement and restructuring. The remaining debt is proposed to be converted into long term loan with an initial moratorium on principal repayments for two years and at a sustainable mark up rate.

The management is confident that these steps will bring the company out of the existing financial crisis. This financial information, therefore, do not include any adjustment relating to realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

Operating & Financial Results

After sale of assets in Hosiery and Apparel Divisions, the results of these divisions have been disclosed as "Loss from discontinued operations" as per requirements of the approved accounting standards, separately from the results from the continuing operations, i.e., Weaving, Dyeing and Genertek Divisions.

During the financial year ended June 30, 2011, your company earned a gross loss of Rs 94.543 million on sales of Rs 5,210.209 million from continuing operations as compared to gross profit of Rs 324.598 million on sales of Rs 6,214.371 million for the previous financial year 2009-10. During FY 2010-11, your company incurred a net loss after tax of Rs 1,258.881 million from continuing operations. In discontinued operations of Hosiery and Apparel Divisions, your company incurred a net loss of Rs. 137.122 million after adjusting for gain on sale of Rs 331.994 million on Hosiery and Apparel Divisions. Overall, the company netted a loss after tax of Rs 1,396.003 million as compared to a net loss after tax of Rs 1,136.512 million during the corresponding previous financial year.

Loss per share stood at Rs 27.42 during the year as compared to Rs 22.32 during the corresponding financial year.

During most part of the year, owing to constricted liquidity due to continued losses, the company could not operate its core divisions at optimal capacity and thus was unable to recover most of its fixed costs. In addition, higher raw material prices of yarn and fabric and continued gas load-shedding, forcing company to utilize expensive alternate fuel sources, further squeezed the overall gross margins. However, subsequent to the injection of fresh working capital after sale of assets in Hosiery and Apparel divisions, the company was able to avoid capacity losses in its core divisions. This coupled with reduction in the prices of raw material resulted in significant improvement in operations and results in the last quarter of the financial year under review.

Dividend

In view of the adverse results in the current year, cash flows of your company do not permit dividend payout. Therefore, your directors have regrettably decided to omit any dividend this year.

Performance Overview

A brief overview of performance of your company for the year ended June 30, 2011 is discussed below. Please also refer page no. 18 of this Annual Report for six years' performance overview of your company.

Weaving Division

With significant increase in yarn prices, the performance in this division remained subdued during most part of the year. However, yarn prices recorded significant reduction in the last quarter, which resulted in recovery in margins in the last quarter. Keeping in view the good order position in this division, the management is confident that with improved working capital and resultant better capacity utilization, the performance in this division will improve going forward.

Dyeing Division

The increase in greige fabric prices squeezed the overall margins in this division during most part of the year. However, with the softening of greige fabric prices in the last quarter, the bottom-line registered some recovery. The management is hopeful that after injection of fresh working capital and resultant better capacity utilization, the situation would continue to record a turn-around and there would be a significant improvement in this division in the ensuing year.

Genertek Division

The persistent gas load shedding, averaging three to four days per week even in summer season, forced company to utilize RFO-based Niigata engines for electricity generation. Resultantly, the overall results remained depressed. To curtail losses in this Division, the management, in the short run, intends to obtain energy connection from self-financed LESCO grid and exploring the option of alternate bio-fuels, including pet-coke to generate steam. In view of the worsening gas supply situation in the long run, the management intends to install steam turbine.

Q Mart Corporation (Pvt) Ltd (a wholly owned subsidiary of your company)

Q Mart Corporation is currently operating with five stores in different locations of Punjab, including the first store in the Lahore city. Moreover, the management has increased the product range being offered to increase the stores' revenue and has teamed-up with local brands, renting them out the available floor-space where they offer their own products. The company intends to roll out two new stores in Lahore city in coming months. The management is hopeful that these efforts will result in this company making profits as the sale turnover increases.

Information Technology

Your company is making continuous efforts to have efficient IT systems supporting timely and effective decisions. It has provided its employees, the most modern facilities to achieve optimum efficiency levels. Most of manufacturing equipment and machinery used in the operations are equipped with technologically advanced software providing on line real time information for most of the production processes.

The company's intranet acts as a useful resource base providing in depth information on the company's policies and procedures along with other information for beneficial use to the employees of the company.

Human Resource & Training

With a human capital of about 1,500 employees, the company believes that the employees are vital ingredient in shaping company's future where each individual contributes directly to the success of the organization.

Your company's HR team is a group of highly skilled and experienced professionals. They work very closely with business teams to design efficient people solutions that will affectively meet the business goals.

Your company places a premium on respect for individuals, equal opportunities, advancement based on

merit, effective communication, and the development of high performance culture. The company takes pride in continuous improvement at all levels and strive to ensure that opportunity for growth and varied career experiences are provided to all employees.

Your company is an equal opportunity employer and this is practiced in all aspects of the company's business activities including recruitment and employment.

Combined with state of the art technology and HR Information Systems, the result is a high performance environment within which individuals can achieve their professional and personal dreams.

Training & Development

Your company believes in human resource development through training and development and places due emphasis on training in all spheres of its production process. The company made efforts during the year with more focused and cost effective training programs for the major technical categories such as weavers, technologists and quality control inspectors. Candidates are engaged through a Trainee Scheme and trained in-house over a period of 6 months through a career path. This has helped company in preparing a highly skilled workforce and also provides replacements to cover turnover.

In-house training sessions are regularly conducted in general management, fire fighting, first aid, health and safety, computer and technical disciplines.

Safety, Health & Environment

Your company has provided safe & healthy workplace for both staff & contractors and will act responsibly towards the communities and environment in which it operates. This will be achieved by continuous improvement of our safety, health and environment performance through corporate leadership, dedication of staff and the application of the highest professional standards at workplace.

Corporate Social Responsibility

Your company has very distinct Corporate and Social Responsibility (CSR) policy in fulfilling its responsibilities of securing the community within which it operates.

Your company through its directors is actively involved in the various social responsibility initiatives in the field of primary education and health care.

Compliance with the Code of Corporate Governance

The Board reviews the company's strategic direction on regular basis. The business plans and budgetary targets, set by the Board are also reviewed regularly. The Audit Committee is empowered for effective compliance of Code of Corporate Governance. The Board is committed to maintain a high standard of good Corporate Governance.

Corporate & Financial Reporting Frame Work

The Board of Directors of the company is fully cognizant of its responsibility as laid down in the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan. The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance.

- a. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These Statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. The company has maintained proper books of account as required by the Companies Ordinance, 1984.

Kohinoor Mills Limited - Annual Report 2011

- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern. Auditors' reservation in their report regarding this issue has been explained in Note 1.2 to these financial statements.
- g. There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations of the stock exchanges where the company is listed.
- h. There are no significant plans for any corporate restructuring, business expansion or discontinuation of any part of company's operations except as explained in Note 1.2 to these financial statements.
- i. Information regarding statutory payments on account of outstanding taxes, duties, levies and other charges (if any) has been given in related note(s) to the audited accounts.
- j. The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.
- k. The valuation of investment made by the staff retirement benefit fund (Provident Fund), based on their respective un-audited accounts is as follows:

June 30, 2011	Rs 56.476 million
June 30, 2010	Rs 76.264 million

Board of Directors

The Board of Directors is responsible for the overall governance and administration of the company. All directors are aware of their duties and powers conferred by the Companies Ordinance, 1984, Code of Corporate Governance and Company's Memorandum and Articles of Association and have filed declaration to the effect. They exercise their fiduciary responsibilities through board meetings which are held every quarter for reviewing and approving the adoption of company's financial statements in addition to review and adoption of company's significant plans and decisions, projections, forecasts and budgets having regard to the recommendations of the Audit Committee. The responsibilities include establishing the company's strategic objectives, providing leadership, supervising the management of the business and reporting to shareholders on their stewardship.

During the year under review five (5) meetings of the Board of Directors were held. The attendance by each Director is as follows:

Kohinoor Mills Limited - Annual Report 2011

Name of Directors	No. of meetings attended
Mr. Aamir Fayyaz Sheikh	5
Mr. Asad Fayyaz Sheikh	4
Mr. Ali Fayyaz Sheikh	5
Mr. Mohsin Raza Naqvi*	2
Mr. Rashid Ahmed	5
Mr. Aamir Amin	4
Mr. Kamran Shahid	5
Mr. Tahir Bashir Solehria*	3

* Mr. Tahir Bashir Solehria joined the Board of Directors as on 10 November 2010 in place of Syed Mohsin Raza Naqvi, who resigned.

Leaves of absence were granted to the directors who could not attend the Board of Directors' Meetings due to their pre-occupations.

The Board wishes to place on record its appreciation for the services and guidance that Syed Mohsin Raza Naqvi provided during his term as the Director.

Other than those set out below, there has been no trading during the year under review by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children:

Name of the Directors	Purchased	Sold
	No. of shares	
Mr. Rashid Ahmed	77,000	-
Mr. Karman Shahid	51,500	-
Mr. Tahir Bashir Solehria	2,500	-

Audit Committee

The Audit Committee operates according to the terms of reference agreed by the Board of Directors of the company. It focuses on monitoring compliance with the best practices of the Code of Corporate Governance and relevant statutory requirements, changes in accounting policies and practices, compliance with applicable accounting standards and listing regulations.

It recommends to the Board of Directors the terms of appointment of external auditors by company shareholders and reviews their recommendations relating to audit. Other responsibilities include monitoring the internal audit function, safeguarding company's assets through appropriate internal control systems including financial and operational controls, accounting system and reporting structure,

preliminary review of business plans and quarterly, half-yearly and annual results prior to approval and publication by the Board.

The Audit Committee comprises the following three (3) members of which two (2) are non-executive directors including the Chairman of the Committee:

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Ali Fayyaz Sheikh	Member

Statement of Ethics & Business Practices

The Board has prepared and circulated the Statement of Ethics and Business Practices signed by every director and employee of the Company as a token of acknowledgement of his/her understanding of the standards of conduct in relation to everybody associated or dealing with the Company.

Pattern of Shareholding

The Statement of Pattern of Shareholding along with categories of shareholders of the company as at June 30, 2011, as required under Section 236 of the Companies Ordinance, 1984 and Code of Corporate Governance is annexed with this report.

Future Prospects

The Pakistani economy, overall, faces significant challenges on several fronts. The continuing power-crisis, "war on terror", recurring natural calamities and excessive reliance on assistance from multilateral agencies have weakened the government's ability to respond to the economic challenges. Further, the continuing global recession is only adding to the challenges faced by export industry. However, the recent reversals in cotton prices and resurgent demand in export markets augurs well for the Pakistani textile industry.

Your company went through a difficult phase during past few years. Working capital shortages due to continued losses made it impossible to operate production facilities at all divisions at an optimal level. However, after completion of first phase of the debt restructuring which included sale of assets in Hosiery and Apparel divisions, as discussed earlier, the company has been able to replenish some of its lost working capital. These funds have enabled the company to operate its core divisions again at the full capacity level.

In the second phase of debt restructuring, the company has already obtained in-principle approval from most of the bankers for the proposed restructuring. The remaining debt is proposed to be converted into

long term loan with an initial moratorium on principal repayments for two years and at a sustainable mark up rate. This shall provide your company the much needed fiscal space and support to reestablish itself as a significant player in the textile market.

The current order book of the company is quite healthy and it has confirmed orders up to December 2011 for the full capacity. Therefore, the management is confident, that after completion of second phase of the restructuring, the company will return to profitability once again in the coming years.

Auditors

The external auditors of the company, M/s Riaz Ahmed & Company, Chartered Accountants shall retire on the conclusion of forthcoming Annual General Meeting. Being eligible for re-appointment under the Companies Ordinance, 1984, they have offered their services as auditors of the company for the year ending June 30, 2012. The Board of Directors endorsed its recommendations of Audit Committee for their re-appointment.

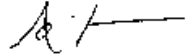
The auditors have conveyed that they have been assigned satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and the firm is fully compliant with the code of ethics issued by International Federation of Accountants (IFAC). Further they are also not rendering any related services to the company. The auditors have also confirmed that neither the firm nor any of their partners, their spouses or minor children at any time during the year held or traded in the shares of the company.

Acknowledgment

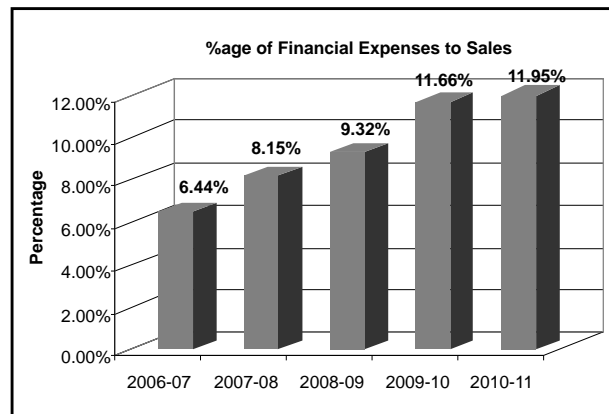
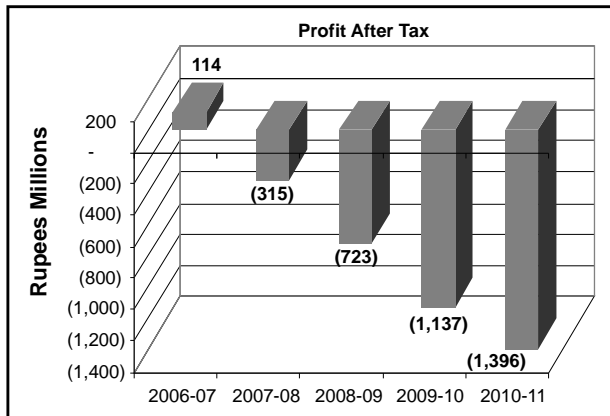
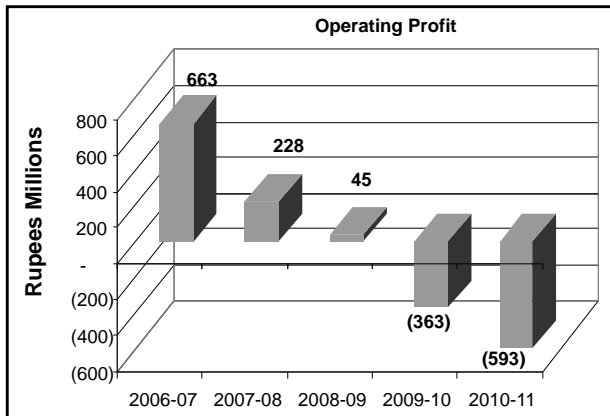
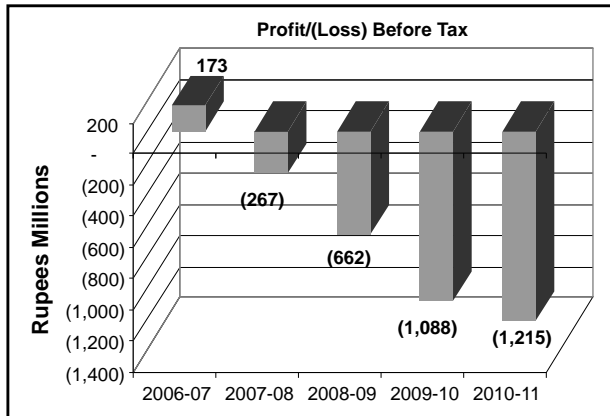
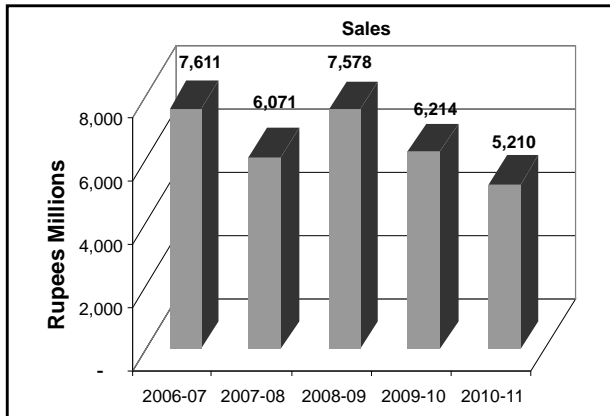
The board places on record its profound gratitude for its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the staff and workers of the company.

For and on behalf of the Board

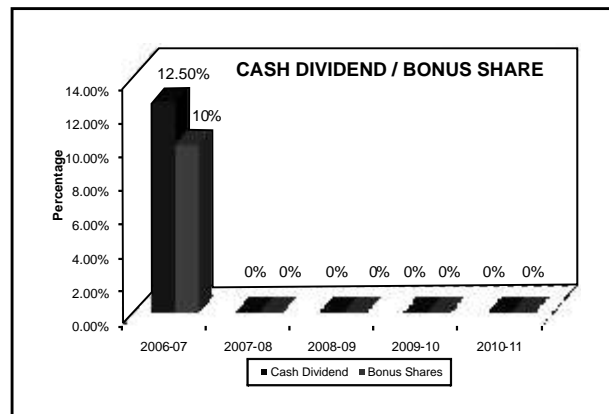
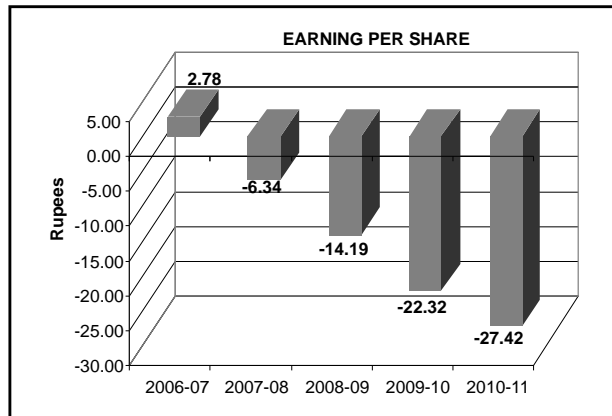
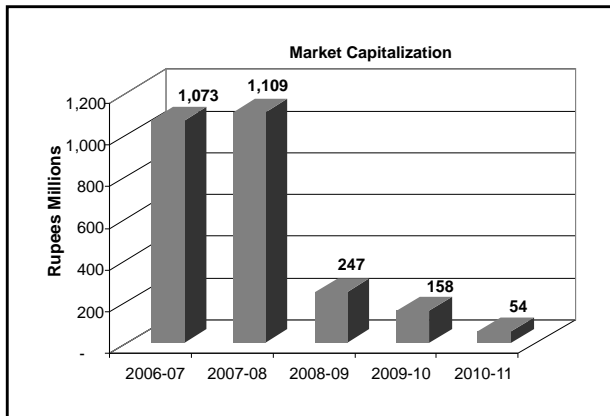
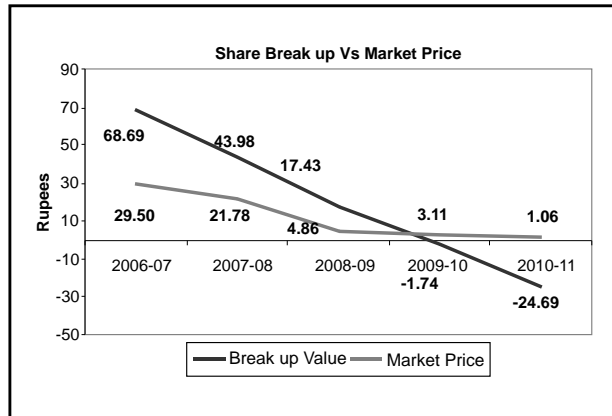
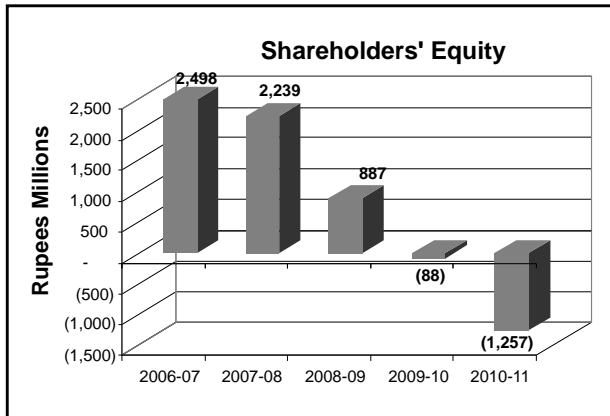
Kasur:
03 October 2011.


(AAMIR FAYYAZ SHEIKH)
Chief Executive

Performance Overview



Kohinoor Mills Limited - Annual Report 2011



SIX YEARS' PERFORMANCE

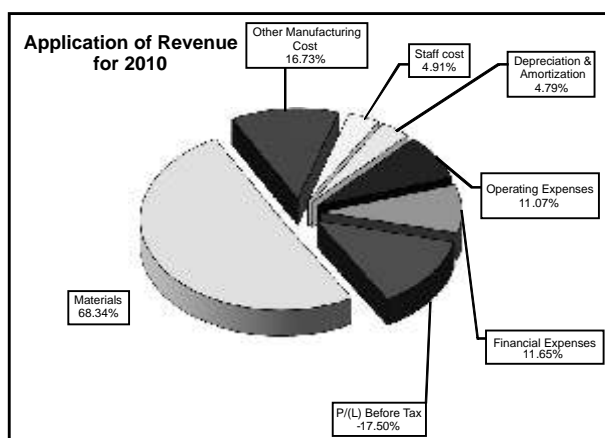
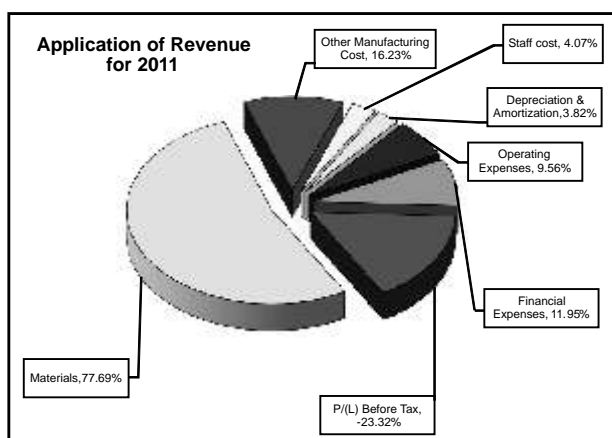
		2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
OPERATING							
Gross Margin*	%	(1.81)	5.23	8.70	13.07	14.78	12.44
Pre Tax Margin*	%	(23.32)	(17.51)	(8.73)	(4.40)	2.27	0.09
Net Margin	%	(26.79)	(18.30)	(9.53)	(5.19)	1.50	(0.83)
PERFORMANCE							
Return on Long Term Assets	%	(41.38)	(20.73)	(12.74)	(7.30)	2.84	(1.29)
Total Assets Turnover		0.90	0.71	0.84	0.67	0.89	0.82
Fixed Assets Turnover		1.70	1.20	1.40	1.49	1.89	1.56
Inventory Turnover	Days	77	84	74	96	71	75
Return on Equity	%	nm	nm	(81.44)	(14.06)	4.58	(3.12)
Return on Capital Employed	%	nm	(96.16)	(33.49)	(8.57)	2.81	(1.44)
Retention	%	-	-	-	-	44.39	-
LEVERAGE							
Debt:Equity		nm	107:(7)	59:41	39:61	39:61	54:46
LIQUIDITY							
Current		0.38	0.44	0.55	0.84	0.93	0.79
Quick		0.26	0.24	0.30	0.49	0.61	0.45
VALUATION							
Earning per share (pre tax)*	Rs.	(23.87)	(21.36)	(13.00)	(5.38)	4.21	0.15
Earning per share (after tax)	Rs.	(27.42)	(22.32)	(14.19)	(6.34)	2.78	(1.29)
Breakup value	Rs.	(24.69)	(1.74)	17.43	43.98	68.69	51.56
Dividend payout - Cash	Rs.	-	-	-	-	12.50	-
Bonus issue	%	-	-	-	-	10.00	10.00
Payout ratio - Cash (after tax)	%	-	-	-	-	55.61	-
Price earning ratio	X	(0.04)	(0.14)	(0.34)	(3.43)	9.37	(16.48)
Market price to breakup value	X	(0.04)	(1.79)	0.28	0.50	0.43	0.51
Dividend yield	%	-	-	-	-	4.24	-
Market value per share	Rs.	1.06	3.11	4.86	21.78	29.50	26.50
Market capitalization	Rs.(000)	53,966	158,333	247,428	1,108,842	1,072,768	876,064
HISTORICAL TRENDS							
Turnover*	Rs.(000)	5,210,209	6,214,371	7,578,457	6,071,271	7,611,237	6,391,023
Gross profit*	Rs.(000)	(94,544)	324,598	659,138	793,521	1,124,500	795,069
Profit/(Loss) before tax*	Rs.(000)	(1,215,277)	(1,087,528)	(661,761)	(267,105)	173,054	6,049
Profit/(Loss) after tax	Rs.(000)	(1,396,003)	(1,136,512)	(722,552)	(314,802)	114,441	(53,169)
FINANCIAL POSITION							
Shareholders' funds	Rs.(000)	(1,256,932)	(88,488)	887,261	2,238,857	2,497,983	1,704,681
Property Plant and Equipment	Rs.(000)	3,062,840	5,181,770	5,404,086	4,062,382	4,026,564	4,104,627
Current assets	Rs.(000)	2,413,795	3,199,998	3,378,901	4,771,035	4,509,102	3,703,831
Current liabilities	Rs.(000)	6,345,402	7,317,408	6,109,691	5,689,702	4,868,224	4,679,881
Long term assets	Rs.(000)	3,373,358	5,491,986	5,672,331	4,311,432	4,031,148	4,119,688
Long term liabilities	Rs.(000)	31,085	438,911	1,016,955	1,153,908	1,174,043	1,438,957

nm: not meaningful

*for continued operations only

Statement of Value Addition

Value Added	2011		2010	
	% age	Rupees (000)	% age	Rupees (000)
Local Sales	19.64%	1,023,111	23.80%	1,478,839
Export Sales	80.36%	4,187,099	76.20%	4,735,533
Total Sales	100%	5,210,209	100%	6,214,372
Value Allocated				
Materials	77.69%	4,048,017	68.34%	4,247,043
Other Manufacturing Cost	16.23%	845,780	16.73%	1,039,799
Staff cost	4.07%	212,058	4.91%	305,209
Depreciation & Amortization	3.82%	198,898	4.79%	297,722
Operating Expenses	9.56%	498,078	11.07%	688,073
Financial Expenses	11.95%	622,655	11.65%	724,053
P/(L) Before Tax	-23.32%	(1,215,277)	-17.50%	(1,087,528)
	100%	5,210,209	100%	6,214,372



Statement of Compliance with the Code of Corporate Governance FOR THE YEAR ENDED 30 JUNE 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board of Directors includes two non-executive directors including independent non-executive director representing institutional equity interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred during the year 2011, was filled up within 30 days of its occurrence. Mr. Tahir Bashir Solehria joined the Board as an Executive Director in place of Syed Mohsin Raza Naqvi. However, no other casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
6. The Board has developed a Vision/Mission Statement, Overall Corporate Strategy and Significant Policies of the Company. A complete record of particulars of Significant Policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. In compliance to substituted sub-clause (xiv) of clause 35, titled "Orientation Courses" of the Code of Corporate Governance. The Board nominated Mr. Kamran Shahid, the Director/CFO of the company to attend the "Corporate Governance Leadership Skills Program" conducted by the Pakistan Institute of Corporate Governance, Karachi. The certification was successfully completed by him during the financial year 2011.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

Kohinoor Mills Limited - Annual Report 2011

11. The Directors' Report for the year ended June 30, 2011, has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The related party transactions were placed before the Audit Committee and reviewed and approved by the Board of Directors.
16. The Board has formed an Audit Committee. It comprises three members, of whom Chairman of the meeting is an independent non-executive director.
17. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Kasur:
03 October 2011


(AAMIR FAYYAZ SHEIKH)
Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of KOHINOOR MILLS LIMITED ("the Company") for the year ended 30 June 2011, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

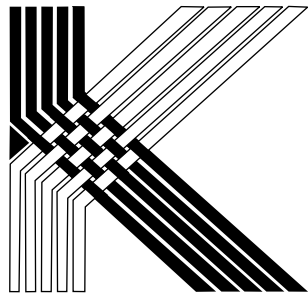
Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

DATE: 03 October 2011

LAHORE



Kohinoor Mills Limited
Financial Statements

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHINOOR MILLS LIMITED** as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2011 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements, which indicates that the company has incurred net loss of Rupees 1,396.003 million during the year ended 30 June 2011. Equity of the company stands at a negative balance of Rupees 1,256.932 million due to accumulated losses of Rupees 3,077.307 million as on 30 June 2011. At the balance sheet date, the company's current liabilities exceeded its current assets by Rupees 3,931.608 million. The company could not meet its obligations in respect of repayment of long term financing, short term borrowings and finance cost accrued thereon. These conditions, alongwith other matters as set forth in the note 1.2, indicate the existence of material uncertainty which may cast doubt about the company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the realization of the company's assets and liquidation of any liabilities that may be necessary should the company be unable to continue as a going concern.

These financial statements have, however, been prepared on a going concern basis subject to the assumptions of injection of new share capital by sponsors through right issue, sale of non-core assets to reduce debt and support from lending institutions in the shape of restructuring of existing financing facilities and reduction in markup rates.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

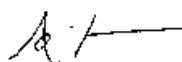
DATE: 03 October 2011

LAHORE

BALANCE SHEET

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	3	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Issued, subscribed and paid-up share capital	4	509,110,110	509,110,110
Reserves	5	<u>(1,766,042,454)</u>	<u>(597,598,306)</u>
Total equity		(1,256,932,344)	(88,488,196)
Surplus on revaluation of operating fixed assets - net of deferred income tax	6	667,598,062	1,024,153,342
Non-current liabilities			
Long term financing - secured	7	-	346,048,931
Deferred income tax	8	31,084,682	92,861,746
		31,084,682	438,910,677
Current liabilities			
Trade and other payables	9	849,185,345	1,336,138,701
Accrued markup	10	996,903,370	494,147,375
Short term borrowings - secured	11	3,475,566,183	4,508,280,549
Current portion of long term financing	7	974,619,612	924,362,737
Provision for taxation		49,127,602	54,478,371
		<u>6,345,402,112</u>	<u>7,317,407,733</u>
Total liabilities		6,376,486,794	7,756,318,410
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		<u><u>5,787,152,512</u></u>	<u><u>8,691,983,556</u></u>

The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE

AS AT 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non-current assets			
Fixed assets	13	3,062,839,687	5,181,769,803
Long term investments	14	300,000,000	300,000,000
Long term security deposits		<u>10,518,250</u>	<u>10,215,751</u>
		3,373,357,937	5,491,985,554
Current assets			
Stores, spares and loose tools	15	236,551,528	335,012,611
Stock-in-trade	16	499,369,266	1,108,376,779
Trade debts	17	498,802,691	774,726,517
Loans and advances	18	204,847,936	329,990,567
Trade deposits and short term prepayments	19	1,530,466	2,802,434
Other receivables	20	222,605,249	180,795,300
Sales tax recoverable		69,823,447	120,711,830
Short term investments	21	77,888,756	272,263,840
Cash and bank balances	22	229,350,175	75,318,124
		2,040,769,514	3,199,998,002
Non-current assets held for sale	23	<u>373,025,061</u>	-
		2,413,794,575	3,199,998,002
TOTAL ASSETS		<u><u>5,787,152,512</u></u>	<u><u>8,691,983,556</u></u>



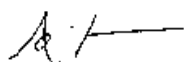
 DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
CONTINUING OPERATIONS:			
SALES	24	5,210,209,429	6,214,371,763
COST OF SALES	25	<u>(5,304,752,999)</u>	<u>(5,889,773,394)</u>
GROSS (LOSS) / PROFIT		(94,543,570)	324,598,369
DISTRIBUTION COST	26	<u>(367,876,943)</u>	<u>(427,762,097)</u>
ADMINISTRATIVE EXPENSES	27	<u>(155,708,511)</u>	<u>(198,493,424)</u>
OTHER OPERATING EXPENSES	28	<u>(165,333,959)</u>	<u>(137,897,904)</u>
		<u>(688,919,413)</u>	<u>(764,153,425)</u>
		(783,462,983)	(439,555,056)
OTHER OPERATING INCOME	29	<u>190,841,424</u>	<u>76,080,251</u>
LOSS FROM OPERATIONS		(592,621,559)	(363,474,805)
FINANCE COST	30	<u>(622,655,407)</u>	<u>(724,053,189)</u>
LOSS BEFORE TAXATION		<u>(1,215,276,966)</u>	<u>(1,087,527,994)</u>
TAXATION	31	<u>(43,603,916)</u>	<u>(48,984,447)</u>
LOSS AFTER TAXATION FROM CONTINUING OPERATIONS		(1,258,880,882)	(1,136,512,441)
DISCONTINUED OPERATIONS:			
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	23	<u>(137,122,137)</u>	<u>-</u>
LOSS AFTER TAXATION		<u>(1,396,003,019)</u>	<u>(1,136,512,441)</u>
LOSS PER SHARE - BASIC AND DILUTED FROM CONTINUING OPERATIONS	32	<u>(24.73)</u>	<u>(22.32)</u>
LOSS PER SHARE - BASIC AND DILUTED FROM DISCONTINUED OPERATIONS	32	<u>(2.69)</u>	<u>-</u>

The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE

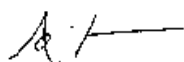


DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 Rupees	2010 Rupees
LOSS AFTER TAXATION	(1,396,003,019)	(1,136,512,441)
OTHER COMPREHENSIVE INCOME / (LOSS)		
Impairment loss taken to profit and loss account (Deficit) / surplus arising on re-measurement of available for sale investment to fair value	-	60,750,902
Surplus realized on disposal of available for sale investment	(39,267,437)	112,676,750
Deferred income tax relating to surplus on available for sale investment	(141,726,463)	-
Other comprehensive (loss) / income for the year - net of tax	47,510,899	(29,577,646)
	(133,483,001)	143,850,006
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(1,529,486,020)</u>	<u>(992,662,435)</u>

The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE

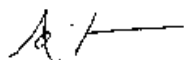


DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,355,828,045)	(1,087,527,994)
Adjustment for non cash charges and other items:		
Depreciation	237,363,970	309,785,235
Amortization on intangible asset	1,681,857	1,950,890
Dividend income	(3,042,108)	(4,153,216)
Gain on sale of operating fixed assets	(1,159,816)	(921,153)
Gain on sale of investment	(141,726,465)	-
Gain on sale of non-current assets held for sale	(331,993,572)	-
Loss on disposal of stores, spares and loose tools	26,205,770	-
Impairment loss on equity investment	11,813,550	73,689,552
Provision for doubtful debts	-	50,283,028
Operating fixed assets written off	1,272,274	-
Irrecoverable trade debts written off	136,926,662	-
Advances written off	18,876,115	-
Other receivables written off	14,788,092	-
Credit balances written back	(20,225,069)	-
Finance cost	834,507,087	724,053,189
	(570,539,698)	67,159,531
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL		
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	72,255,313	55,825,851
Stock-in-trade	609,007,513	64,764,133
Trade debts	138,997,164	47,359,854
Loans and advances	106,266,516	(90,515,586)
Trade deposits and short term prepayments	1,271,968	(8,368,855)
Other receivables	(56,214,779)	(20,381,681)
Sales tax recoverable	50,888,383	(31,464,315)
(DECREASE) / INCREASE IN CURRENT LIABILITIES		
Trade and other payables	(466,728,286)	228,936,178
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	455,743,792	246,155,579
CASH (USED IN) / GENERATED FROM OPERATIONS	(114,795,906)	313,315,110
Income tax paid	(55,688,580)	(52,440,682)
Net (increase) / decrease in long term security deposits	(302,499)	175,000
Finance cost paid	(310,256,992)	(395,266,636)
	(366,248,071)	(447,532,318)
NET CASH USED IN OPERATING ACTIVITIES	(481,043,977)	(134,217,208)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(33,948,658)	(108,632,120)
Proceeds from disposal of operating fixed assets	11,689,000	20,133,303
Dividend received	3,042,108	4,153,216
Investment in subsidiary company	-	(33,370,500)
Proceeds from sale of non-current assets held for sale	1,861,000,000	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	1,841,782,450	(117,716,101)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(295,792,056)	-
Short term borrowings - net	(910,914,366)	47,805,201
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(1,206,706,422)	47,805,201
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	154,032,051	(204,128,108)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	75,318,124	279,446,232
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	229,350,175	75,318,124

The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE

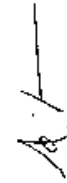


DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	RESERVES							Total equity
	CAPITAL RESERVES			REVENUE RESERVES				
	Share premium reserve	Sub-Total	General reserve	Accumulated loss	Sub-Total	Total reserves		
Balance as at 30 June 2009	213,406,310	29,463,545	242,869,855	1,058,027,640	(922,746,949)	135,280,691	378,150,546	887,260,656
Transfer from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	16,913,583	16,913,583	16,913,583	16,913,583
Total comprehensive loss for the year ended 30 June 2010	-	143,850,006	143,850,006	-	(1,136,512,441)	(1,136,512,441)	(992,662,435)	(992,662,435)
Balance as at 30 June 2010	213,406,310	173,313,551	386,719,861	1,058,027,640	(2,042,345,807)	(984,318,167)	(597,598,306)	(88,488,196)
Transfer from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	13,799,351	13,799,351	13,799,351	13,799,351
Surplus transferred to accumulated loss on disposal of operating fixed assets - net of deferred income tax	-	-	-	-	347,242,521	347,242,521	347,242,521	347,242,521
Total comprehensive loss for the year ended 30 June 2011	-	(133,483,001)	(133,483,001)	-	(1,396,003,019)	(1,396,003,019)	(1,529,486,020)	(1,529,486,020)
Balance as at 30 June 2011	213,406,310	39,830,550	253,236,860	1,058,027,640	(3,077,306,954)	(2,019,279,314)	(1,766,042,454)	(1,256,932,344)

The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 THE COMPANY AND ITS OPERATIONS

1.1 Kohinoor Mills Limited ("the Company") is a public limited Company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate, distribute, supply and sell electricity.

1.2 Going concern assumption

The Company incurred loss after taxation of Rupees 1,136.512 million in the preceding financial year ended 30 June 2010 and further incurred loss after taxation of Rupees 1,396.003 million for the current financial year ended 30 June 2011. These continuing losses have resulted in erosion of Company's reserves and depletion of working capital base. The Company has defaulted on all its long-term loans and most of its short term facilities and mark-up payments.

In order to turn the current state of affairs around, the management devised a detailed strategy for debt and corporate restructuring. With its long experience in fabric business, the management believes that the Company can benefit from its expertise in production, marketing and selling of griege and dyed fabric better than other businesses and that current circumstances warrant that the company should focus solely on its core competencies. Therefore, the revised strategy envisages increased focus on its core business of griege and dyed fabric and divestment from Hosiery and Apparel operations.

To improve the Company's financial position, the sale proceeds from non-core business assets were to be utilized for partial settlement of the Company's bank liabilities and replenishment of its working capital base. The banks were to be approached for restructuring of residual debt.

The major sources identified for funds generation were as follows:

- Sale of assets in Hosiery and Apparel Divisions;
- Sale of short term investment in Security General Insurance Company Limited;
- Sale of surplus industrial land; and
- Further injection of equity through rights issue.

Accordingly, the sale of assets of Hosiery Division, factory building of Apparel Division and a portion of surplus industrial land was concluded with M/s Interloop Limited, on 09 April 2011, for a total consideration of Rupees 1,900 million. Out of these proceeds, Rupees 1,200 million were utilized to repay the long term loans, short term borrowings and accrued mark up and balance funds were allocated for replenishment of working capital in remaining core businesses. The shares in Security General Insurance Company Limited were sold to Allied Bank Limited in debt-asset swap.

For sale of remaining surplus industrial land, the mandate has been awarded to National Bank of Pakistan for bidding between the lenders of the Company. The successful bidder will settle its facilities in debt-asset swap.

The sponsor directors have offered their personal properties for sale to the Company's lenders. The sale shall be concluded through open bidding and proceeds shall be injected in Company as right share issue.

For restructuring of the residual debt in second phase, the Company has obtained the "in principle" approval from most of the bankers for the proposed settlement and restructuring. The remaining debt is proposed to be converted into long term loan with an initial moratorium on principal repayments for two years and at a sustainable mark up rate.

The management is confident that these steps will bring the Company out of the existing financial crisis and the Company will continue as a going concern. These financial statements, therefore, do not include any adjustment relating to realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for lands and buildings which are carried at revalued amounts and certain financial instruments which are carried at their fair value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at the balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

- d) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IFRS 8 (Amendment), 'Operating Segments' (effective for annual periods beginning on or after 01 January 2010). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- e) Interpretations and amendments to published approved standards that are effective in the current year but not relevant to the Company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

- f) Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid amendment on the Company's financial statements.

IFRS 10 'Consolidated Financial Statements' (effective for annual period beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual period beginning on or after 01 January 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employee benefit

The Company operates a funded contributory provident fund scheme for its permanent employees. The Company and employees make equal monthly contributions of 10 percent of the basic salary, towards the fund. The Company's contribution is charged to the profit and loss account.

2.3 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.5 Foreign currencies

The financial statements are prepared in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses where applicable are recognized in the profit and loss account.

2.6 Fixed assets

2.6.1 Property, plant and equipment and depreciation

Owned

a) Cost

Property, plant and equipment except freehold land and buildings are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss, buildings are stated at revalued amount less accumulated depreciation and any identified impairment loss, while capital work-in-progress is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to accumulated loss. All transfers to / from surplus on revaluation of operating fixed assets are net of applicable deferred income tax.

b) Depreciation

Depreciation on all operating fixed assets is charged to income on a reducing balance method so as to write off cost / depreciable amount of an asset over its estimated useful life at the rates as disclosed in note 13.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposal up to the month of disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

c) Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

Leased

a) Finance leases

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to income.

b) Operating leases

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

2.6.2 Intangible asset

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in subsidiary company, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

c) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

d) Equity investments in associated companies

The investments in associates in which the Company does not have significant influence are classified as "Available-for-Sale".

e) Investment in subsidiary company

Long term investment in subsidiary company is accounted for at cost less impairment loss, if any, in accordance with IAS 27 'Consolidated and Separate Financial Statements'.

2.8 Inventories

Inventories, except for stock in transit, waste stock and rejected goods are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw material is based on weighted average cost.

Cost of work in process and finished goods comprises prime cost and appropriate production overheads determined on weighted average cost. Cost of goods purchased for resale are valued at their respective purchase price by using first-in-first-out method.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock and rejected goods are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.9 Non-current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sale transaction rather than through continuing use.

2.10 Borrowing costs

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset.

2.11 Revenue recognition

Revenue from different sources is recognized as under.

- (a) Revenue from sale of goods is recognized on dispatch of goods to customer.
- (b) Dividend on equity investments is recognized as income when right to receive payment is established.
- (c) Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.
- (d) Revenue from sale of electricity is recognized at the time of transmission.

2.12 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

2.14 Financial instruments

Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account except for available for sale investments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are long term investments, trade debts, deposits, loans and advances and other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term borrowings, accrued markup and trade and other payables.

2.14.1 Trade debts and other receivables

Trade debts and other receivable are initially measured at fair value and subsequently at amortized cost using effective interest rate method less provision for impairment. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

2.14.2 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

2.14.3 Markup bearing borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest rate method.

2.14.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known subject to insignificant risk of changes in values.

2.15 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will affect profit or loss.

2.16 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Weaving (Producing different quality of greige fabric using yarn), Dyeing (Converting greige into dyed fabric) and Power Generation (Generating and distributing power).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.17 Off setting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is reported in the financial statements when there is legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.18 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

Kohinoor Mills Limited - Annual Report 2011

			2011 Rupees	2010 Rupees
3	AUTHORIZED SHARE CAPITAL			
	2011 2010 (NUMBER OF SHARES)			
	80,000,000 80,000,000 Ordinary shares of Rupees 10 each	800,000,000	800,000,000	
	30,000,000 30,000,000 Preference shares of Rupees 10 each	300,000,000	300,000,000	
	<u>110,000,000</u> <u>110,000,000</u>	<u>1,100,000,000</u>	<u>1,100,000,000</u>	
4	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL			
	2011 2010 (NUMBER OF SHARES)			
	28,546,003 28,546,003 Ordinary shares of Rupees 10 each fully paid in cash	285,460,030	285,460,030	
	18,780,031 18,780,031 Ordinary shares of Rupees 10 each issued as fully paid bonus shares	187,800,310	187,800,310	
	3,584,977 3,584,977 Ordinary shares of Rupees 10 each issued due to merger with Kohinoor Genertek Limited as per scheme of arrangement	35,849,770	35,849,770	
	<u>50,911,011</u> <u>50,911,011</u>	<u>509,110,110</u>	<u>509,110,110</u>	
5	RESERVES			
	Composition of reserves is as follows:			
	Capital			
	Share premium reserve (Note 5.1)	213,406,310	213,406,310	
	Fair value reserve - net of deferred income tax (Note 5.2)	<u>39,830,550</u>	<u>173,313,551</u>	
		253,236,860	386,719,861	
	Revenue			
	General reserve	<u>1,058,027,640</u>	<u>1,058,027,640</u>	
	Accumulated loss	<u>(3,077,306,954)</u>	<u>(2,042,345,807)</u>	
		<u>(2,019,279,314)</u>	<u>(984,318,167)</u>	
		<u>(1,766,042,454)</u>	<u>(597,598,306)</u>	

5.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

Kohinoor Mills Limited - Annual Report 2011

	2011 Rupees	2010 Rupees
5.2 Fair value reserve - net of deferred income tax		
Balance as at 01 July	235,001,425	61,573,772
Fair value adjustment on investments:		
Impairment loss transferred to profit and loss account	-	60,750,903
Impact of revaluation of investment	(39,267,437)	112,676,750
Fair value gain realized on disposal of investment	(141,726,463)	-
	(180,993,900)	173,427,653
	54,007,525	235,001,425
Less: Deferred income tax liability on unquoted equity investment in Security General Insurance Company Limited - associated company	14,176,975	61,687,874
Balance as at 30 June	39,830,550	173,313,551
5.2.1 This represents the unrealized gain on remeasurement of available for sale investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.		
	2011 Rupees	2010 Rupees
6 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX		
Balance as at 01 July	1,055,327,214	1,074,078,415
Less: Surplus in respect of operating fixed assets disposed of during the year:		
Lands	256,087,297	-
Buildings	99,896,136	-
	355,983,433	-
Less: Incremental depreciation	14,838,012	18,751,201
	684,505,769	1,055,327,214
Less: Related deferred income tax liability	16,907,707	31,173,872
Balance as at 30 June	667,598,062	1,024,153,342
7 LONG TERM FINANCING - SECURED		
Financing from banking companies (Note 7.1 and 7.3)	974,619,612	1,270,411,668
Less: Current portion shown under current liabilities (Note 7.2)	974,619,612	924,362,737
	-	346,048,931

Kohinoor Mills Limited - Annual Report 2011

7.1	Lender	2011	2010	Rate of mark up per annum	Terms of financing and number of installments	Mark up repricing	Mark up payable	Security
		-----Rupees-----						
	National Bank of Pakistan	50,000,000	50,000,000	3-Month KIBOR + 1.25%	Five equal quarterly installments commenced from 31 December 2009 and ending on 30 September 2010. Closing balance of this loan is overdue.	Quarterly	Quarterly	First pari passu / joint pari passu charge of Rupees 67 million over fixed assets of the Company.
	National Bank of Pakistan	45,148,387	45,148,387	3-Month KIBOR + 1.25%	Ten equal semi annual installments from 31 December 2004 to 30 June 2010. Closing balance of this loan is overdue.	Quarterly	Quarterly	First pari passu / joint pari passu charge of Rupees 61 million over fixed assets of the Company.
	National Bank of Pakistan	100,000,477	100,000,477	6-Month KIBOR + 1.25%	Ten equal semi annual installments commenced from 31 March 2005 and ending on 30 September 2010. Closing balance of this loan is overdue.	Half yearly	Quarterly	First pari passu / joint pari passu charge of Rupees 134 million over fixed assets of the Company.
	National Bank of Pakistan	296,367,918	296,367,918	3-Month KIBOR + 2.00%	Twenty four quarterly installments commenced from 20 May 2010 and ending on 20 February 2016. Closing balance of this loan includes amount due but not paid of Rupees 61.743 million.	Quarterly	Quarterly	First pari passu / joint pari passu charge of Rupees 396 million over fixed assets of the Company.
	United Bank Limited	32,500,000	32,500,000	6-Month KIBOR + 1.00%	Eight equal semi annual installments commenced from 03 February 2006 and ending on 03 August 2010. Closing balance of this loan is overdue.	Half yearly	Quarterly	First pari passu charge of Rupees 200 million over existing and future fixed assets of the Company.
	Allied Bank Limited (Note 7.3)	17,791,327	60,073,988	1-Month KIBOR + 2.50%	Eight equal semi annual installments commenced from 29 March 2006 and ending on 29 September 2010. Closing balance of this loan is overdue.	Monthly	Quarterly	First pari passu charge with 25 % margin over fixed assets of the Company.
	Allied Bank Limited	112,500,000	112,500,000	6-Month KIBOR + 1.5% with floor of 5%.	Eight equal semi annual installments commenced from 31 March 2007 and ending on 30 September 2010. Closing balance of this loan is overdue.	Half yearly	Quarterly	First pari passu charge with 25% margin on fixed assets of the Company.
	The Bank of Punjab (Note 7.3)	-	112,500,000	3-Month KIBOR + 3 %	Fourteen quarterly installments commenced from 28 September 2007 and ending on 28 June 2013.	Quarterly	Quarterly	First pari passu charge of Rupees 566.67 million on all present and future fixed assets of the Company
	The Bank of Punjab (Note 7.3)	195,130,000	300,000,000	3-Month KIBOR + 2.5%	Twelve equal quarterly installments commenced from 13 May 2010 and ending on 13 February 2013. Closing balance of this loan includes amount due but not paid of Rupees 20.130 million.	Quarterly	Quarterly	First pari passu charge of Rupees 566.67 Million on all present and future fixed assets of the Company.
	Faysal Bank Limited (Formerly The Royal Bank of Scotland Limited) (Note 7.3)	-	17,479,892	3-Month KIBOR + 2%	Twenty equal quarterly installments commenced from 01 October 2007 and ending on 01 July 2012.	Quarterly	Quarterly	First exclusive hypothecation charge over power generators.
	Faysal Bank Limited (Formerly The Royal Bank of Scotland Limited) (Note 7.3)	25,181,503	43,841,006	SBP rate for LTF - EOP + 2%	Twenty equal quarterly installments commenced from 01 October 2007 and ending on 01 July 2013. Closing balance of this loan includes amount due but not paid of Rupees 5.453 million	-	Quarterly	First exclusive hypothecation charge over power generators.
	United Bank Limited	100,000,000	100,000,000	6-Month KIBOR + 2%	10 equal semi annual installments commenced from 18 December 2010 and ending on 18 June 2015. Closing balance of this loan includes amount due but not paid of Rupees 20 million.	Half yearly	Quarterly	First pari passu charge of Rupees 200 million over existing and future fixed assets of the Company.
		<u>974,619,612</u>	<u>1,270,411,668</u>					

7.2 The aggregate current portion of long term financing from banking companies of Rupees 974.620 million represents principal installments aggregating to Rupees 509.353 million, which, under the terms of original loan agreements were due for repayment in period subsequent to 30 June 2012 and principal installments aggregating to Rupees 465.267 million, which, under the terms of original loan agreements were overdue but not paid uptill the year ended 30 June 2011. The Company is in negotiation with respective lenders for relaxation in payment terms and certain other covenants and has been successful in getting 'in principal' approval for the proposed settlement and restructuring of borrowings aggregating Rupees 816.937 million, subsequent to the reporting period. However, as the Company could not repay on a timely basis the installments due uptill the year ended 30 June 2011, which represents a breach of the respective loan agreements, therefore these loans are disclosed as a current liability under the guidance contained in IAS 1 'Presentation of Financial Statements'.

7.3 The decrease in long term financing of Rupees 295.792 million during the year ended 30 June 2011 represents adjustments of principal amounts of loans payable to three banking companies against consideration from sale of assets of the Company to M/s Interloop Limited. However, no other repayments of outstanding loans were made during the year.

Kohinoor Mills Limited - Annual Report 2011

	2011 Rupees	2010 Rupees
8	DEFERRED INCOME TAX	
	The (liability) / asset for deferred taxation originated due to temporary differences relating to:	
	Taxable temporary differences on:	
	Accelerated tax depreciation	87,554,685
	Surplus on revaluation of operating fixed assets	16,907,707
	Surplus on revaluation of investment - available for sale	14,176,975
		<u>118,639,367</u>
	Deductible temporary difference on:	
	Accumulated tax losses	(351,349,289)
	Net deferred income tax (asset) / liability	(232,709,922)
	Less: Deferred income tax liability recognized (Note 8.1)	31,084,682
	Net deferred income tax asset not recognized	<u>(263,794,604)</u>
8.1	Deferred income tax liability on surplus on revaluation of operating fixed assets and surplus on revaluation of investment available for sale - Security General Insurance Company Limited has been recognized in these financial statements. Remaining net deferred income tax asset of Rupees 263.795 million (2010: Rupees 149.236 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in the foreseeable future.	
9	TRADE AND OTHER PAYABLES	
	Creditors	578,323,536
	Advances from customers	118,249,429
	Sales commission payable	40,931,705
	Income tax deducted at source	60,151,222
	Security deposits - interest free	647,278
	Payable to employees' provident fund trust	3,613,048
	Accrued and other liabilities	42,537,591
	Unclaimed dividend	4,731,536
		<u>849,185,345</u>
10	ACCRUED MARKUP	
	Long term financing (Note 10.1)	313,378,742
	Short term borrowings (Note 10.2)	683,524,628
		<u>996,903,370</u>
10.1	This includes overdue markup of Rupees 275.387 million (2010: Rupees 115.407 million)	
10.2	This includes overdue markup of Rupees 558.813 million (2010: Rupees 202.887 million). Moreover, during the year ended 30 June 2011, accrued markup on short term borrowings, payable to a banking company, of Rupees 59.777 million was adjusted against consideration from sale of assets of the Company to M/s Interloop Limited.	

Kohinoor Mills Limited - Annual Report 2011

		2011 Rupees	2010 Rupees
11	SHORT TERM BORROWINGS - SECURED		
	From banking companies-secured		
	Short term running finance (Note 11.1 & 11.2)	536,373,393	605,404,912
	SBP refinance (Note 11.1 & 11.3)	2,794,972,791	2,199,084,000
	Other short term finances (Note 11.1 & 11.4)	144,219,999	1,703,791,637
		<u>3,475,566,183</u>	<u>4,508,280,549</u>
11.1	These facilities are secured against hypothecation charge on current assets, lien on export contracts / letters of credit, first and second pari passu charge on assets, personal guarantees of directors, pledge of investment in listed security and ranking charge on fixed assets of the Company. As per the original terms of the respective agreements with the banks, the aggregate borrowing facilities stand expired as at 30 June 2011.		
11.2	The rate of mark up ranges from 13.54% to 15.53% per annum (2010: 13.84% to 14.27% per annum).		
11.3	The rate of mark up ranges from 8.5% to 11% per annum (2010: 7.5% to 9% per annum) on the balance outstanding.		
11.4	The rates of mark up on local and foreign currency loans ranges from 12.31% to 22% per annum (2010: 12.13% to 22% per annum) and 4.40% to 7.45% per annum (2010: 3.96% to 9.62% per annum) respectively.		
11.5	During the year ended 30 June 2011, short term borrowings amounting to Rupees 844.435 million were adjusted against consideration from sale of assets of the Company to M/s Interloop Limited and short term borrowings amounting to Rupee 121.800 million have been adjusted against consideration from sale of investment in Security General Insurance Company Limited - Associated company to Allied Bank Limited.		
12	CONTINGENCIES AND COMMITMENTS		
12.1	Contingencies		
12.1.1	The Deputy Collector (Refund – Gold) by order dated 19 June 2007 rejected the input tax claim of the Company, for the month of June 2005, amounting to Rupees 10.345 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. Consequently, the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR has decided this appeal in favour of the Company subject to necessary verification. Pending the outcome of necessary verification, no provision for inadmissible input tax has been recognized in the financial statements, since the Company is confident of the outcome of verification.		
12.1.2	The Additional Collector, Sales Tax Department has raised sales tax demand amounting to Rupees 8.956 million alongwith additional tax and penalty, as a result of sales tax audit for the year 1999-2000 conducted by the Sales Tax Department. The Company is contesting the demand and management is confident that decision will be in favour of the Company, hence, no provision there against has been made in these financial statements.		

- 12.1.3 The Additional Commissioner Inland Revenue (Audit) has charged turnover tax on local sales aggregating to Rupees 13.318 million for the tax years 2005, 2005 (Transitional), 2006 and 2007. Since the issue of minimum tax has been resolved by Honorable Lahore High Court in favour of taxpayers in other identical cases, the Company has filed appeals before Commissioner Inland Revenue (Appeals) [CIR(A)] against the orders. The appeals before CIR(A) were decided in favour of the Company. The Income Tax Department has moved to ATIR against the order of CIR(A). Pending the outcomes of appeals, no provision has been made in these financial statements as the management is confident that decision will be in favour of the Company.
- 12.1.4 Bank guarantees of Rupees 65.80 million (2010: Rupees 65.80 million) are given by the banks of the Company in favour of Sui Northern Gas Pipelines Limited against gas connections.
- 12.1.5 Bank guarantee of Rupees 6.5 million (2010: Rupees 6.5 million) is given by the bank of the Company in favour of Director, Excise and Taxation to cover the disputed amount of infrastructure cess.
- 12.1.6 Lahore Electric Supply Company Limited (LESCO) has served a notice to the Company in connection with violation of Power Purchase Agreement. According to the aforesaid notice, the Company was using gas alongwith Refined Furnace Oil (RFO) in the ratio of 50:50 as co-fuel in order to generate electric power for sale to LESCO whereas tariff was charged to LESCO on the basis of RFO. The matter is being resolved under the provisions of above said Power Purchase Agreement. An amount of Rupees 86.833 million receivable by the Company from LESCO is still unpaid. No provision in these financial statements has been made against this receivable, as the Company is confident that the said amount will be recovered in full.

12.2 Commitments

- 12.2.1 Aggregate commitments for capital expenditures and revenue expenditures are amounting to Rupees Nil and Rupees 9.677 million (2010: Rupees 0.650 million and Rupees 51.383 million) respectively.
- 12.2.2 Post dated cheques issued to suppliers are amounting to Rupees 131.882 (2010: Rupees 27.507 million)

	2011 Rupees	2010 Rupees
13 FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 13.1)	3,031,101,708	5,141,148,028
Capital work-in-progress (Note 13.2)	<u>31,000,666</u>	<u>37,590,020</u>
	3,062,102,374	5,178,738,048
Intangible asset - computer software (Note 13.1)	<u>737,313</u>	<u>3,031,755</u>
	<u><u>3,062,839,687</u></u>	<u><u>5,181,769,803</u></u>

13.1 Reconciliations of carrying amounts of operating fixed assets and intangible asset at the beginning and end of the year are as follows:

Description	Operating fixed assets							Intangible asset		
	Freehold land	Residential building	Factory building	Plant and machinery	Electric Installations	Furniture, fixtures and equipment	Computers		Motor vehicles	Total
RUPEES										
As at 30 June 2009	827,363,000	254,607,362	1,063,568,832	4,972,295,625	107,459,713	115,272,202	45,249,834	81,001,656	7,466,818,224	9,754,449
Cost / revalued amount	(19,661,362)	(225,530,832)	(225,530,832)	(1,746,012,119)	(49,025,581)	(42,051,602)	(28,029,831)	(28,301,143)	(2,138,612,470)	(4,771,804)
Accumulated depreciation / amortization	-	-	-	-	-	-	-	-	-	-
Net book value	827,363,000	234,946,000	838,038,000	3,226,283,506	58,434,132	73,220,600	17,220,003	52,700,513	5,328,205,754	4,982,645
Year ended 30 June 2010	827,363,000	234,946,000	838,038,000	3,226,283,506	58,434,132	73,220,600	17,220,003	52,700,513	5,328,205,754	4,982,645
Opening net book value	-	-	2,992,907	129,925,991	1,577,930	820,150	1,629,138	4,993,543	141,939,659	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals:	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	(60,837,573)	-	(128,296)	(70,800)	(11,344,481)	(72,381,150)	-
Accumulated depreciation	-	-	-	47,969,312	-	31,728	39,742	5,128,218	53,169,000	-
Depreciation charge / amortization	-	-	-	(12,868,261)	-	(96,568)	(31,058)	(6,216,263)	(19,212,150)	-
Closing net book value	827,363,000	223,189,342	799,139,064	3,113,168,863	54,125,472	66,758,960	13,034,302	44,369,025	5,141,148,028	(1,950,890)
As at 30 June 2010	827,363,000	254,607,362	1,066,561,739	5,041,384,043	109,037,643	115,964,056	46,808,172	74,650,718	7,536,376,733	9,754,449
Cost / revalued amount	(31,418,020)	(267,422,675)	(1,928,215,180)	(1,928,215,180)	(54,912,171)	(49,205,096)	(33,773,870)	(30,281,693)	(2,395,228,705)	(6,722,694)
Accumulated depreciation / amortization	-	-	-	-	-	-	-	-	-	-
Net book value	827,363,000	223,189,342	799,139,064	3,113,168,863	54,125,472	66,758,960	13,034,302	44,369,025	5,141,148,028	3,031,755
Year ended 30 June 2011	827,363,000	223,189,342	799,139,064	3,113,168,863	54,125,472	66,758,960	13,034,302	44,369,025	5,141,148,028	3,031,755
Opening net book value	-	-	13,226,074	22,208,122	1,204,859	1,548,179	1,460,778	890,000	40,538,012	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals:	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	(39,809,212)	-	-	(28,750)	(6,458,476)	(46,296,438)	-
Accumulated depreciation	-	-	-	32,134,767	-	-	11,649	3,620,838	35,767,254	-
Depreciation charge / amortization	-	-	-	(7,674,445)	-	-	(17,101)	(2,837,638)	(10,529,184)	-
Reclassified to non-current assets held for sale:	-	-	-	-	-	-	-	-	-	-
Cost	(557,500,000)	(45,808,076)	(623,866,944)	(1,141,019,427)	(33,830,074)	(42,585,313)	(17,233,080)	-	(2,461,842,914)	(2,182,572)
Accumulated depreciation / amortization	-	3,581,121	110,348,527	405,912,323	13,501,721	13,897,074	13,183,244	-	560,424,010	1,569,987
Write-off:	(557,500,000)	(42,226,955)	(513,518,417)	(735,107,104)	(20,328,353)	(28,688,239)	(4,049,836)	-	(1,901,418,904)	(612,585)
Cost	-	-	-	-	-	(1,851,666)	-	-	(1,851,666)	-
Accumulated depreciation	-	-	-	-	-	579,392	-	-	579,392	-
Depreciation charge / amortization	-	(9,901,643)	(25,236,468)	(183,475,903)	(4,249,484)	(4,998,994)	(3,419,917)	(6,081,561)	(237,363,970)	(1,681,857)
Closing net book value	269,863,000	171,060,744	273,610,253	2,209,119,533	30,752,494	33,347,632	7,008,226	36,339,826	3,031,101,708	737,313
As at 30 June 2011	269,863,000	208,799,286	455,920,869	3,882,763,526	76,412,428	73,075,256	31,007,120	69,082,242	5,066,923,727	7,571,877
Cost / revalued amount	(37,738,542)	(182,310,616)	(1,673,643,993)	(45,659,934)	(39,727,624)	(39,727,624)	(23,998,894)	(32,742,416)	(2,035,822,019)	(6,834,564)
Accumulated depreciation / amortization	-	-	-	-	-	-	-	-	-	-
Net book value	269,863,000	171,060,744	273,610,253	2,209,119,533	30,752,494	33,347,632	7,008,226	36,339,826	3,031,101,708	737,313
Depreciation / amortization rate % per annum	-	5	5	5 - 10	10	10	30	20	20	20

Kohinoor Mills Limited - Annual Report 2011

- 13.1.1 Lands and buildings of the Company were revalued as at 30 June 2009 by independent valuer, Messrs Hamid Mukhtar and Company (Private) Limited. Had there been no revaluation, the value of assets would have been lower by Rupees 471.485 million (2010: Rupees 1,055.327 million)
- 13.1.2 The book value of lands and buildings on cost basis is Rupees 39.916 million and Rupees 203.132 million (2010: Rupees 128,309 million and Rupees 666.056 million) respectively.
- 13.1.3 Detail of operating fixed assets exceeding book value of Rupees 50,000 disposed of during the year is as follows:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
----- Rupees -----						
Motor vehicles						
Suzuki Cultus LRF-9678	559,050	423,899	135,151	365,000	Negotiation	Yawar Ali, Lahore
Hyundai Santro LWR-4676	618,000	324,063	293,937	275,000	Negotiation	Muhammad Arshad, Lahore
Club Car	529,000	265,205	263,795	330,000	Negotiation	US Apparel (Private) Limited
Suzuki Cultus LXY-3360	622,738	469,645	153,093	375,000	Negotiation	Yawar Ali, Lahore
Suzuki Bolan LRS-5538	373,120	251,313	121,807	345,000	Negotiation	Nasar Mehmood, Lahore
Suzuki Cultus LZU-4305	705,000	355,445	349,555	475,000	Negotiation	Muhammad Faisal Akram, Lahore
Suzuki Bolan LRJ-5415	367,000	243,037	123,963	295,000	Negotiation	Muhammad Faisal Akram, Lahore
Suzuki Cultus LWR-1929	580,000	294,538	285,462	540,000	Negotiation	Muhammad Faisal Akram, Lahore
Honda City LZZ-774	866,109	463,155	402,954	800,000	Negotiation	Amir Farooqi, Lahore
Suzuki Cultus LEE-3158	611,991	236,742	375,249	550,000	Negotiation	Irfan Shabir, Lahore
Suzuki Cultus LEB-3660	626,468	293,796	332,672	520,000	Negotiation	Muhammad Tahir, Lahore
Plant and machinery						
20 Tsudakoma Airjet Looms	39,809,212	32,134,767	7,674,445	6,800,000	Negotiation	Galaxy Engineering (Private) Limited, Karachi
	<u>46,267,688</u>	<u>35,755,605</u>	<u>10,512,083</u>	<u>11,670,000</u>		
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000						
	28,750	11,649	17,101	19,000		
	<u><u>46,296,438</u></u>	<u><u>35,767,254</u></u>	<u><u>10,529,184</u></u>	<u><u>11,689,000</u></u>		

Kohinoor Mills Limited - Annual Report 2011

	2011 Rupees	2010 Rupees
13.1.4 The gain on disposal of operating fixed assets for the year has been allocated as follows:		
Other operating income (Note 29)	398,792	921,153
Discontinued operations (Note 23.1)	<u>761,024</u>	<u>-</u>
	<u>1,159,816</u>	<u>921,153</u>
13.1.5 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 25)	186,452,012	295,199,691
Distribution cost (Note 26)	1,433,283	2,097,689
Administrative expenses (Note 27)	6,163,683	12,487,855
Discontinued operations (Note 23.1 and 23.2)	<u>43,314,992</u>	<u>-</u>
	<u>237,363,970</u>	<u>309,785,235</u>
13.1.6 The amortization of intangible asset amounting to Rupees 1.682 million (2010: Rupees 1.951 million) is included in administrative expenses.		
13.1.7 Land having cost of Rupees 1.865 million (2010: Rupees 1.865 million) is in the possession of the Punjab Social Security Health Management Company as at 30 June 2011 for which finalization of sale proceeds is pending.		
13.2 Capital work-in-progress		
Plant and machinery	31,000,666	36,900,020
Electric Installations	<u>-</u>	<u>690,000</u>
	<u>31,000,666</u>	<u>37,590,020</u>
14 LONG TERM INVESTMENTS		
Investment in subsidiary company-at cost		
Q Mart Corporation (Private) Limited - unquoted		
30,000,000 (2010: 30,000,000) ordinary shares of Rupees 10 each	300,000,000	300,000,000
Available for sale		
Associated company (without significant influence)		
K-2 Hosiery (Private) Limited - unquoted		
1,194,000 (2010: 1,194,000) ordinary shares of Rupees 10 each	-	11,940,000
Less: Written off against provision	-	11,940,000
	<u>-</u>	<u>-</u>
	<u>300,000,000</u>	<u>300,000,000</u>
15 STORES, SPARES AND LOOSE TOOLS		
Stores and spares	231,507,685	331,362,801
Loose tools	5,043,843	3,649,810
	<u>236,551,528</u>	<u>335,012,611</u>
15.1 Stores, spares and loose tools of Hosiery Division with a carrying amount of Rupees 41.943 million have been sold to M/s Interloop Limited for Rupees 39.000 million as part of sale of assets of the Company during the year. The loss on disposal of stores, spares and loose tools is included in loss after taxation from discontinued operations (Note 23.1).		
16 STOCK-IN-TRADE		
Raw material	109,567,292	214,670,579
Work-in-process	57,287,055	237,149,479
Finished goods (Note 16.1 and 16.2)	<u>332,514,919</u>	<u>656,556,721</u>
	<u>499,369,266</u>	<u>1,108,376,779</u>
16.1 This includes finished goods of Rupees 36.455 million (2010: Rupees 110.941 million) valued at net realizable value.		
16.2 Finished goods includes stock-in-transit amounting to Rupees 90.493 million (2010: Rupees 218.436 million).		

Kohinoor Mills Limited - Annual Report 2011

		2011	2010
17	TRADE DEBTS		
	Considered good:	Rupees	Rupees
	Secured (against letters of credit)	338,549,504	360,835,586
	Unsecured	<u>160,253,187</u>	<u>413,890,931</u>
		<u>498,802,691</u>	<u>774,726,517</u>
	Considered doubtful:		
	Others - unsecured	-	50,283,028
	Less: Provision for doubtful trade debts		
	As at 01 July	50,283,028	-
	Add: Provision for the year	136,926,662	50,283,028
	Less: Written off against provision	(187,209,690)	-
	As at 30 June	<u>-</u>	<u>50,283,028</u>
		<u>-</u>	<u>-</u>
17.1	As on 30 June 2011, trade debts of Rupees 289.639 million (2010: Rupees 285.146 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:		
	Upto 1 month	159,836,880	77,088,699
	1 to 6 months	19,385,362	34,609,321
	More than 6 months	<u>110,417,254</u>	<u>173,448,349</u>
		<u>289,639,496</u>	<u>285,146,369</u>
17.2	As at 30 June 2011, trade debts of Rupees 187.210 million (2010: Rupees 50.283 million) were impaired. These impaired trade debts were written off during the year ended 30 June 2011. The aging of these trade debts was more than three years.		
18	LOANS AND ADVANCES		
	Considered good:		
	Q Mart Corporation (Private) Limited - wholly owned subsidiary company	6,760,521	5,039,032
	Advances to:		
	- staff (Note 18.1)	5,968,891	9,498,602
	- suppliers	178,924,248	267,970,066
	- contractors	69,375	5,163,570
	Letters of credit	<u>13,124,901</u>	<u>42,319,297</u>
		<u>204,847,936</u>	<u>329,990,567</u>
18.1	This includes interest free advances to executives amounting to Rupees 1.260 million (2010: Rupees 4.305 million).		
19	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Security deposits	1,509,162	43,500
	Short term prepayments	<u>21,304</u>	<u>2,758,934</u>
		<u>1,530,466</u>	<u>2,802,434</u>
20	OTHER RECEIVABLES		
	Considered good:		
	Advance income tax	85,324,707	84,941,445
	Export rebate and claims	96,557,902	62,955,138
	Research and development support receivable	-	4,640,876
	Receivable from employees' provident fund trust	-	9,153,876
	Miscellaneous (Note 20.1)	<u>40,722,640</u>	<u>19,103,965</u>
		<u>222,605,249</u>	<u>180,795,300</u>
20.1	It includes an amount of Rupees 40.000 million with Allied Bank Limited, Escrow Agent, out of the total sale consideration for assets disposed of to M/s Interloop Limited during the year. This amount will be adjusted by Allied Bank Limited against financing facilities extended to the Company.		

Kohinoor Mills Limited - Annual Report 2011

		2011 Rupees	2010 Rupees
21	SHORT TERM INVESTMENTS		
	Available for sale		
	Quoted		
	Maple Leaf Cement Factory Limited (Note 21.3)		
	11,251,000 (2010: 11,251,000) ordinary shares of Rupees 10 each	169,431,065	169,431,065
	Accumulated impairment loss (Note 28)	<u>(146,254,005)</u>	<u>(134,440,455)</u>
		23,177,060	34,990,610
	Unquoted		
	Security General Insurance Company Limited - associated company (Note 21.1 and 21.4)		
	643,667 (2010: 2,076,608) fully paid ordinary shares of Rupees 10 each	704,171	2,271,806
	Add: Fair value adjustment	<u>54,007,525</u>	<u>235,001,424</u>
		<u>54,711,696</u>	<u>237,273,230</u>
		<u>77,888,756</u>	<u>272,263,840</u>
21.1	During the year ended 30 June 2011, the Company has sold 1,432,941 shares of Security General Insurance Company Limited (SGI) to Allied Bank Limited (ABL) at a price of Rupees 100 per share. Out of the total sale consideration of Rupees 143.294 million, Rupees 121.800 million have been adjusted by ABL against outstanding short term borrowing facilities extended by it to the Company and Rupees 21.494 million have been adjusted against transaction fee payable to ABL. Fair value of remaining 643,667 shares in SGI has been determined by an independent valuer at Rupees 129.17 (2010: Rupees 114.26) per share using the net assets based valuation method. However, the management of the Company has valued its remaining investment in SGI after discounting the fair value per share as determined by the valuer by 34.20% to equate it with a recent market transaction between knowledgeable, willing parties.		
21.2	Security General Insurance Company Limited is an associated company due to common directorship.		
21.3	5,377,000 (2010: 5,377,000) ordinary shares of Maple Leaf Cement Factory Limited with a market value of Rupees 11.077 million (2010: Rupees 16.722 million) are pledged as security against short term borrowings as referred in Note 11.1.		
21.4	640,000 ordinary shares of Security General Insurance Company Limited have been pledged in favour of Allied Bank Limited, the Security Agent, under the Security Agency Agreement dated 07 April 2011 by and between the Company, M/s Interloop Limited and Allied Bank Limited to secure performance of certain conditions subsequently required to be satisfied by the Company pursuant to the sale of assets during the year.		
22	CASH AND BANK BALANCES		
	Cash in hand (Note 22.1)	4,780,512	4,381,881
	Cash with banks:		
	On current accounts (Note 22.2 and 22.4)	26,017,946	52,561,488
	On deposit accounts (Note 22.3)	<u>198,551,717</u>	<u>18,374,755</u>
		<u>224,569,663</u>	<u>70,936,243</u>
		<u>229,350,175</u>	<u>75,318,124</u>
22.1	Cash in hand includes foreign currency of US\$ 1,170 and Euro 4,350 (2010: US\$ 1,063, Euro 3,095, Canadian Dollars 1,000, Chinese Yuan 1,410, GBP 1,200 and ASD 200).		
22.2	Cash with banks in current accounts includes foreign currency balance of US\$ 884.29 (2010: US\$ 33.20).		
22.3	Rate of profit on bank deposits ranges from 5.06% to 11.50% (2010: 5.06% to 8%) per annum.		
22.4	Cash with banks on current accounts includes an amount of Rupees 8.491 million with Allied Bank Limited, the Security Agent, in a non-checking account, to secure performance of certain conditions subsequently required to be satisfied by the Company pursuant to the sale of assets to M/s Interloop Limited during the year.		

23 NON-CURRENT ASSETS HELD FOR SALE

The non-current assets classified as held for sale under International Financial Reporting Standard (IFRS) 5 'Non-current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

	2011 Rupees	2010 Rupees
(a) Non-current assets classified as held for sale		
Fixed assets - Hosiery Division (Note 23.1)	-	-
Property, plant and equipment - Apparel Division (Note 23.2)	123,025,061	-
Surplus Industrial land (Note 23.3)	250,000,000	-
	<u>373,025,061</u>	<u>-</u>
(b) Analysis of the result of discontinued operations (Loss) / Profit after taxation from discontinued operations		
Hosiery Division (Note 23.1)	(250,325,326)	-
Apparel Division (Note 23.2)	51,703,189	-
Surplus Industrial land (Note 23.3)	61,500,000	-
	<u>(137,122,137)</u>	<u>-</u>
Cash flows from discontinued operations		
Hosiery Division (Note 23.1)	202,483,420	-
Apparel Division (Note 23.2)	72,547	-
Surplus Industrial land (Note 23.3)	369,000,000	-
	<u>571,555,967</u>	<u>-</u>

A breakup of the constituents of non-current assets held for sale and discontinued operations is given as follows:

23.1 Fixed assets - Hosiery Division

The Board of Directors of the Company in its meeting held on 23 November 2010 resolved to dispose of the fixed assets of the Hosiery Division, which was approved by the members of the Company in the Extra-Ordinary General Meeting held on 20 January 2011. A Memorandum of Understanding as amended by addendums dated 31 January 2011 and 28 February 2011, for sale of assets by and between the Company, M/s Interloop Limited and majority shareholders of the Company was made on 24 December 2010 whereby the Company offered to sell and M/s Interloop Limited agreed to purchase the assets of Hosiery Division including stores, spares and loose tools, factory building of Apparel Division and a portion of surplus industrial land of the Company, free from any claims, demands, litigations, liens or encumbrances of any nature, for a sum of Rupees 1.9 billion. The parties to the Memorandum of Understanding signed an agreement for sale of assets on 01 April 2011, after the Company had obtained, the consent of all secured lenders.

The sale consideration plus applicable sales tax and less applicable withholding income tax was received on 09 April 2011 by the Company in Escrow Account opened with the Escrow Agent. The sale consideration was utilized for repayment of long term financing, short term borrowings, accrued markup, transaction advisory fee, EOBI and social security contributions and for meeting the working capital requirements of the Company.

Kohinoor Mills Limited - Annual Report 2011

Non-current assets classified as held for sale

The carrying amounts of non-current assets of the Hosiery Division classified as held for sale during the year and disposed of to M/s Interloop Limited as part of the sale transaction referred above are as follows:

	2011 Rupees	2010 Rupees
Transferred from fixed assets during the year:		
Residential building	42,226,955	-
Factory building	372,396,511	-
Plant and machinery	633,978,463	-
Electric installations	13,083,433	-
Furniture, fixtures and equipment	14,571,774	-
Computers	3,514,801	-
Intangible asset	612,585	-
	<u>1,080,384,522</u>	-
Less: Sale consideration	1,277,121,000	-
Net gain on disposal of non-current assets classified as held for sale	<u>196,736,478</u>	-
Analysis of the result of discontinued operation		
SALES	628,114,122	-
COST OF SALES	<u>(795,318,691)</u>	-
GROSS LOSS	(167,204,569)	-
DISTRIBUTION COST	(36,106,161)	-
ADMINISTRATIVE EXPENSES	(34,993,074)	-
OTHER OPERATING EXPENSES *	(39,892,206)	-
	<u>(110,991,441)</u>	-
	(278,196,010)	-
OTHER OPERATING INCOME **	237,343,669	-
LOSS FROM DISCONTINUED OPERATION	<u>(40,852,341)</u>	-
FINANCE COST	(211,851,680)	-
LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION	<u>(252,704,021)</u>	-
TAXATION	2,378,695	-
LOSS AFTER TAXATION FROM DISCONTINUED OPERATION	<u>(250,325,326)</u>	-

* It includes the loss on disposal of stores, spares and loose tools of Hosiery Division to M/s Interloop Limited amounting to Rupees 2.943 million. It also includes irrecoverable trade debts written off, loss on sale of other stores, spares and loose tools, other receivables written off, advances to staff written off, sales tax recoverable written off and security deposits written off amounting to Rupees 2.300 million, Rupees 23.263 million, Rupees 6.802 million, Rupees 0.154 million, Rupees 4.399 million and Rupees 0.031 million respectively.

** It includes net gain of Rupees 196.736 million on disposal of non-current assets classified as held for sale during the year. It also includes credit balances written back amounting to Rupees 18.488 million.

Analysis of the cash flows of discontinued operation

Cash flows from operating activities	128,895,020	-
Cash flows from investing activities	1,273,588,400	-
Cash flows from financing activities	<u>(1,200,000,000)</u>	-
	<u>202,483,420</u>	-

Kohinoor Mills Limited - Annual Report 2011

23.2 Property, plant and equipment - Apparel Division

The Board of Directors of the Company in its meeting held on 23 November 2010 also resolved to dispose of the fixed assets of Apparel Division which was approved by the members of the Company in Extra-ordinary General Meeting held on 24 February 2011. Out of the total non-current assets classified as held for sale during the year, the factory building with a carrying amount of Rupees 141.122 million has been disposed of to M/s Interloop Limited as part of sale transaction discussed above.

An active programme to locate a buyer for remaining non-current assets classified as held for sale of Apparel Division and complete the disposal plan have been initiated. The proceeds from disposal of these remaining non-current assets classified as held for sale of Apparel Division are expected to exceed the carrying amount of these assets. The management is hopeful of completing the sale transaction during the next financial year.

Non-current assets classified as held for sale

The carrying amount of a non-current asset of the Apparel Division classified as held for sale during the year and disposed of to M/s Interloop Limited as part of the sale transaction referred above is as follows:

	2011 Rupees	2010 Rupees
Transferred from operating fixed assets during the year:		
Factory building	141,121,906	-
Less: Sale consideration	214,879,000	-
	<u>73,757,094</u>	<u>-</u>
Gain on disposal of non-current asset classified as held for sale		-
Following are the carrying amounts of remaining non-current assets classified as held for sale of Apparel Division:		
Plant and machinery	101,128,641	-
Electric installations	7,244,919	-
Furniture, fixtures and equipment	14,116,465	-
Computers	535,036	-
	<u>123,025,061</u>	<u>-</u>
Analysis of the result of discontinued operation		
SALES	9,065,343	-
COST OF SALES	(25,696,429)	-
GROSS LOSS	(16,631,086)	-
DISTRIBUTION COST	(475,521)	-
ADMINISTRATIVE EXPENSES	(246,816)	-
OTHER OPERATING EXPENSES *	(8,004,291)	-
	<u>(8,726,628)</u>	<u>-</u>
	(25,357,714)	-
OTHER OPERATING INCOME **	76,010,656	-
PROFIT BEFORE TAXATION FROM DISCONTINUED OPERATION	50,652,942	-
TAXATION	1,050,247	-
PROFIT AFTER TAXATION FROM DISCONTINUED OPERATION	<u>51,703,189</u>	<u>-</u>

* It includes irrecoverable trade debts written off, other receivables written off, advances written off and sales tax recoverable written off amounting to Rupees 2.521 million, Rupees 4.641 million, Rupees 0.787 million and Rupees 0.056 million respectively.

** It includes the gain of Rupees 73.757 million on disposal of a non-current asset classified as held for sale during the year. It also includes credit balances written back amounting to Rupees 1.737 million.

Kohinoor Mills Limited - Annual Report 2011

	2011 Rupees	2010 Rupees
Analysis of the cash flows of discontinued operation		
Cash flows from operating activities	(214,842,262)	-
Cash flows from investing activities	214,914,809	-
	72,547	-

23.3 Surplus Industrial land

The Board of Directors of the Company in its meeting held on 23 November 2010 also resolved to disposed of the surplus industrial land of the Company, which was approved by the members of the Company in Extraordinary General Meeting held on 24 February 2011. A portion of surplus industrial land was sold to M/s Interloop Limited as part of the sale transaction discussed above on 09 April 2011. As regards remaining surplus industrial land, the lenders of the Company have expressed their interest in swap of their debt with surplus industrial land of the Company and necessary formalities in this regard are being completed. Management of the Company is hopeful of completing the disposal of surplus industrial land during the next financial year.

Non-current assets classified as held for sale

The carrying amount of surplus industrial land classified as held for sale during the year and disposed of to M/s Interloop Limited as part of the sale transaction referred above is as follows:

	2011 Rupees	2010 Rupees
Transferred from operating fixed assets during the year:		
Surplus industrial land	307,500,000	-
Less: Sale consideration	369,000,000	-
Gain on disposal of non-current assets classified as held for sale	61,500,000	-

Following is the carrying amount of remaining surplus industrial land classified as held for sale during the year:

Surplus Industrial land	250,000,000	-
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The surplus industrial land is being carried at its revalued amount with a surplus of Rupees 213.021 million included in the surplus on revaluation of operating fixed assets in Note 6.

Analysis of the cash flows of discontinued operation

Cash flows from investing activities	369,000,000	-
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Kohinoor Mills Limited - Annual Report 2011

		2011	2010
		Rupees	Rupees
24	SALES		
	Export	4,146,129,474	4,700,599,052
	Local (Note 24.1)	1,023,110,592	1,478,838,702
	Duty drawback	17,915,464	17,727,273
	Export rebate	23,053,899	17,206,736
		<u>5,210,209,429</u>	<u>6,214,371,763</u>
24.1	Local sales		
	Sales	840,751,567	1,440,567,718
	Less: Sales tax	136,768	49,369,391
		<u>840,614,799</u>	<u>1,391,198,327</u>
	Processing income	182,495,793	87,640,375
		<u>1,023,110,592</u>	<u>1,478,838,702</u>
25	COST OF SALES		
	Raw material consumed (Note 25.1)	3,189,649,822	3,454,888,927
	Chemicals consumed	481,415,673	612,588,557
	Salaries, wages and other benefits	190,186,285	290,315,182
	Employees' provident fund contributions	8,601,885	12,307,522
	Cloth conversion and processing charges	21,166,505	38,210,858
	Fuel, oil and power	613,275,523	726,318,820
	Stores, spares and loose tools consumed	57,150,097	186,298,871
	Packing materials consumed	31,844,842	96,706,257
	Repair and maintenance	49,570,201	31,572,829
	Insurance	6,699,196	6,050,041
	Other manufacturing expenses	44,993,684	42,538,070
	Depreciation on operating fixed assets (Note 13.1.5)	186,452,012	295,199,691
		<u>4,881,005,725</u>	<u>5,792,995,625</u>
	Work-in-process inventory		
	As on 01 July	133,538,923	312,470,941
	As on 30 June	(57,287,055)	(237,149,479)
		<u>76,251,868</u>	<u>75,321,462</u>
	Cost of goods manufactured	4,957,257,593	5,868,317,087
	Cost of yarn and cloth purchased for resale	91,799,868	46,875,845
		<u>5,049,057,461</u>	<u>5,915,192,932</u>
	Finished goods inventory		
	As on 01 July	588,210,457	631,137,183
	As on 30 June	(332,514,919)	(656,556,721)
		<u>255,695,538</u>	<u>(25,419,538)</u>
		<u>5,304,752,999</u>	<u>5,889,773,394</u>
25.1	RAW MATERIAL CONSUMED		
	Opening stock	149,280,299	171,561,161
	Purchased during the year	3,149,936,815	3,497,998,345
		<u>3,299,217,114</u>	<u>3,669,559,506</u>
	Less: Closing stock	109,567,292	214,670,579
		<u>3,189,649,822</u>	<u>3,454,888,927</u>

Kohinoor Mills Limited - Annual Report 2011

		2011 Rupees	2010 Rupees
26	DISTRIBUTION COST		
	Salaries and other benefits	34,527,464	42,609,016
	Employees' provident fund contributions	1,661,676	2,082,038
	Travelling, conveyance and entertainment	10,356,073	25,619,289
	Printing and stationery	137,318	2,170,159
	Communications	14,169,682	17,926,370
	Vehicles' running	2,656,419	2,995,511
	Insurance	1,304,777	1,381,226
	Fee, subscription and taxes	214,500	208,016
	Repair and maintenance	43,243	18,384
	Commission to selling agents	184,701,544	151,388,595
	Outward freight and handling	94,725,006	138,912,370
	Clearing and forwarding	20,009,526	34,606,327
	Sales promotion and advertising	664,000	1,716,260
	Depreciation on operating fixed assets (Note 13.1.5)	1,433,283	2,097,689
	Miscellaneous	1,272,432	4,030,847
		<u>367,876,943</u>	<u>427,762,097</u>
27	ADMINISTRATIVE EXPENSES		
	Salaries and other benefits	79,999,720	98,056,491
	Employees' provident fund contributions	2,511,092	3,268,825
	Travelling, conveyance and entertainment	19,212,213	30,368,804
	Printing and stationery	5,479,226	6,481,828
	Communications	3,127,231	4,203,728
	Vehicles' running	7,762,074	11,817,556
	Legal and professional	11,244,868	6,656,168
	Insurance	2,962,742	4,249,592
	Fee, subscription and taxes	783,180	694,701
	Repair and maintenance	5,054,854	859,647
	Electricity, gas and water	173,598	301,185
	Auditor's remuneration (Note 27.1)	1,173,000	1,240,000
	Depreciation on operating fixed assets (Note 13.1.5)	6,163,683	12,487,855
	Amortization on intangible asset (Note 13.1.6)	1,681,857	1,950,890
	Miscellaneous	8,379,173	15,856,154
		<u>155,708,511</u>	<u>198,493,424</u>
27.1	AUDITORS' REMUNERATION		
	Audit fee	1,000,000	1,000,000
	Half yearly review and other certifications	165,000	200,000
	Reimbursable expenses	8,000	40,000
		<u>1,173,000</u>	<u>1,240,000</u>
28	OTHER OPERATING EXPENSES		
	Donations (Note 28.1)	119,452	46,681
	Impairment loss on equity investment (Note 21)	11,813,550	73,689,552
	Exchange loss	-	12,457,502
	Provision for doubtful trade debts	-	50,283,028
	Irrecoverable trade debts written off	132,105,838	-
	Advances written off	17,934,562	-
	Other receivables written off	3,345,407	-
	Others	15,150	1,421,141
		<u>165,333,959</u>	<u>137,897,904</u>
28.1	None of the directors and their spouses have any interest in the donee's fund.		

Kohinoor Mills Limited - Annual Report 2011

		2011 Rupees	2010 Rupees
29	OTHER OPERATING INCOME		
	Income from investment in associated company		
	Gain on sale of shares of Security General Insurance Company Limited	141,726,465	-
	Dividend on equity investment in Security General Insurance Company Limited - associated company	3,042,108	4,153,216
	Income from financial assets		
	Exchange gain - net	25,710,287	-
	Return on bank deposits	482,572	2,286,212
	Income from non-financial assets		
	Scrap sales and others	19,481,200	68,719,670
	Gain on sale of operating fixed assets (Note 13.1.4)	398,792	921,153
		<u>190,841,424</u>	<u>76,080,251</u>
30	FINANCE COST		
	Markup on long term financing	126,548,577	124,397,560
	Mark up on short term borrowings	441,895,366	525,651,325
	Interest on employees' provident fund trust	471,267	-
	Bank commission and other financial charges	53,740,197	74,004,304
		<u>622,655,407</u>	<u>724,053,189</u>
31	TAXATION		
	Current (Note 31.1)	43,543,915	54,478,371
	Prior year	875,490	(3,656,326)
	Deferred tax	(815,489)	(1,837,598)
		<u>43,603,916</u>	<u>48,984,447</u>
31.1	Provision for current income tax represents final tax on exports sales under section 169 of Income Tax Ordinance 2001 as the Company has gross loss for the year and its tax computation gives rise to a tax loss for the year. The Company has carry forwardable tax losses of Rupees 1,003.855 million as at 30 June 2011 (2010: Rupees 944.829 million). Tax charge reconciliation for the years presented has not been prepared being impracticable.		
32	LOSS PER SHARE - BASIC AND DILUTED		
	There is no dilutive effect on the basic loss per share, which is based on:		
	Continuing operations	2011	2010
	Loss for the year from continuing operations (Rupees)	<u>(1,258,880,882)</u>	<u>(1,136,512,441)</u>
	Weighted average number of ordinary shares (Numbers)	<u>50,911,011</u>	<u>50,911,011</u>
	Loss per share (Rupees)	<u>(24.73)</u>	<u>(22.32)</u>
	Discontinued operations		
	Loss for the year from discontinued operations (Rupees)	<u>(137,122,137)</u>	<u>-</u>
	Weighted average number of ordinary shares (Numbers)	<u>50,911,011</u>	<u>-</u>
	Loss per share (Rupees)	<u>(2.69)</u>	<u>-</u>

Kohinoor Mills Limited - Annual Report 2011

33 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits to chief executive, directors and other executives are as follows:

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	..... Rupees					
Managerial remuneration	2,640,000	5,214,000	20,705,480	2,640,000	7,711,000	18,887,142
House rent	660,000	1,303,506	5,597,205	660,000	1,851,441	5,242,800
Utilities	264,000	521,364	2,112,217	264,000	740,573	1,888,473
Special allowance	528,000	1,042,800	3,667,516	528,000	1,481,150	3,256,468
Contribution to provident fund	264,000	521,400	2,064,552	264,000	771,100	1,888,582
Other allowances	444,000	989,580	3,794,880	444,000	2,131,236	2,313,132
	<u>4,800,000</u>	<u>9,592,650</u>	<u>37,941,850</u>	<u>4,800,000</u>	<u>14,686,500</u>	<u>33,476,597</u>
Number of persons	1	3	27	1	4	23

33.1 Chief executive, directors and executives of the Company are provided with free use of Company's owned and maintained cars.

33.2 Meeting fee of Rupees 210,000 was paid to two directors for attending meetings during the year (2010: Rupees 180,000 paid to two directors for attending meetings.)

34 TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of subsidiary company, associated undertakings, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2011 Rupees	2010 Rupees
Q Mart Corporation (Private) Limited - Subsidiary company		
Sale of goods	2,796,297	1,132,601
Purchase of goods	145,603	2,770,298
Sale of fixed assets - book value	-	585,045
Purchase of fixes asset - book value	-	521,600

Kohinoor Mills Limited - Annual Report 2011

		2011	2010
36	PLANT CAPACITY AND PRODUCTION		
	Weaving		
	Number of looms in operation	174	174
	Number of looms inoperative	84	104
		258	278
	Rated capacity of operative looms converted to 60 picks (square meter)	48,892,878	48,892,878
	Actual production converted to 60 picks (square meter)	31,942,909	36,053,220
	Number of days worked during the year (3 shifts per day)	365	365
	Dyeing		
	Rated capacity in 3 shifts (linear meter)	30,000,000	30,000,000
	Actual production for three shifts	20,490,615	26,566,797
	No. of days worked during the year (3 shifts per day)	355	360
	Hosiery (Disposed of during the current year)		
	Number of knitting machines installed	-	480
	Number of knitting machines worked	-	242
	Rated capacity per day per machine 50 Dozs	-	8,760,000
	Actual production in Dozs	2,043,235	3,046,707
	Number of days worked during the year (3 shifts per day)	153	364
	Apparel (Discontinued operation)		
	Number of stitching machines	300	300
	Number of stitching machines worked	-	-
	Rated capacity in linear meters	2,304,000	2,304,000
	Actual production in linear meters	-	-
	Number of days worked during the year	-	-
	Genertek		
	Number of generators installed	9	9
	Number of generators worked	7	7
	Installed capacity (Mega Watt Hours)	291,446	291,446
	Actual generation (Mega Watt Hours)	42,733	70,080
	Standby generators		
	Nigatta / Caterpillars generators (Mega Watt Hours)	8,935	8,935
	Number of generators	2	2
	Plant operation capacity is based on 365 days (2010: 365 days)		
36.1	Underutilization of available capacity for weaving and dyeing divisions is due to normal maintenance and shortage of working capital.		
36.2	Actual power generation in Genertek in comparison to installed is low due to periodical scheduled and unscheduled maintenance of generators and low demand. During the maintenance period, electricity is supplied from standby generators.		

37 FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risks management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency in hand, bank balances and the amounts receivable from / payable to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2011	2010
Cash in hand - USD	1,170	1,063
Cash in hand - Euro	4,350	3,095
Cash at banks - USD	884	33
Trade debts - USD	4,165,530	6,112,072
Trade debts - Euro	244,632	269,676
Trade and other payable - USD	391,780	78,979
Net exposure - USD	3,775,804	6,034,189
Net exposure - Euro	248,982	272,771

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	85.39	84.27
Reporting date rate	85.85	88.60
Rupees per Euro		
Average rate	116.66	116.35
Reporting date rate	124.60	104.50

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 16.028 million and Rupees 1.536 million (2010: Rupees 26.731 million and Rupees 1.425 million) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Kohinoor Mills Limited - Annual Report 2011

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's loss after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on loss after taxation		Statement of other comprehensive income (fair value reserve)	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
KSE 100 (5% increase) Decrease in loss	1,158,853	1,749,531	Increase in fair value reserve	-
KSE 100 (5% decrease) Increase in loss	1,158,853	1,749,531	Decrease in fair value reserve	-

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets except for bank balances on saving accounts. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	25,181,503	577,931,776
Short term borrowings	-	2,199,084,000
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	198,551,717	18,374,755
Financial liabilities		
Long term financing	949,438,109	692,479,892
Short term borrowings	3,475,566,183	2,309,196,549

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss for the year would have been Rupees 42.265 million (2010: Rupees 30.017 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Investments	77,888,756	272,263,840
Loans and advances	12,729,412	14,537,634
Deposits	12,027,412	10,259,251
Trade debts	498,802,691	774,726,517
Other receivables	40,722,640	19,103,965
Bank balances	224,569,663	70,936,243
	<u>866,740,574</u>	<u>1,161,827,450</u>

Kohinoor Mills Limited - Annual Report 2011

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2011	2010
	Short Term	Long term	Agency	(Rupees)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	100,673	62,875
Allied Bank Limited	A1+	AA	PACRA	10,376,416	673,491
Askari Bank Limited	A1+	AA	PACRA	1,693,025	743,347
Bank Alfalah Limited	A1+	AA	PACRA	1,493,163	151,124
Faysal Bank Limited	A-1+	AA	JCR-VIS	357,191	356,401
Habib Bank Limited	A-1+	AA+	JCR-VIS	772,185	13,498,723
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	180,773,434	1,537,328
The Bank of Punjab	A1+	AA-	PACRA	23,251	4,094
Soneri Bank Limited	A1+	AA-	PACRA	7,385	7,985
MCB Bank Limited	A1+	AA+	PACRA	707,187	20,530
NIB Bank Limited	A1+	AA -	PACRA	11,411,358	15,366,018
The Royal Bank of Scotland Limited	A1+	AA	PACRA	48,797	67,155
Silkbank Limited	A-2	A -	JCR-VIS	9,255,085	20,680,011
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	6,799,269	3,415,470
United Bank Limited	A-1+	AA+	JCR-VIS	621,578	70,807
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	99,100	14,225,950
HSBC Middle East Bank Limited	P-1	A1	Moody's	20,566	44,934
Barclays Bank PLC	P-1	Aa3	Moody's	10,000	10,000
				224,569,663	70,936,243
Investments					
Maple leaf Cement Factory Limited	B	BB	PACRA	23,177,060	34,990,610
Security General Insurance Company Limited	A+		JCR-VIS	54,711,696	237,273,230
				77,888,756	272,263,840
				302,458,419	343,200,083

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 17.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. At 30 June 2011, the Company had Rupees Nil available borrowing limits from financial institutions but Rupees 229.350 million cash and bank balances. The management believes the liquidity risk to be manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
			(Rupees)			
Long term financing	974,619,612	1,279,061,250	751,972,212	119,750,334	191,895,326	215,443,378
Trade and other payables	667,171,646	667,171,646	667,171,646	-	-	-
Accrued mark-up	996,903,370	996,903,370	996,903,370	-	-	-
Short term borrowings	3,475,566,183	3,719,798,535	3,719,798,535	-	-	-
	6,114,260,811	6,662,934,801	6,135,845,763	119,750,334	191,895,326	215,443,378

Kohinoor Mills Limited - Annual Report 2011

Contractual maturities of financial liabilities as at 30 June 2010

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees)					
Long term financing	1,270,411,668	1,475,743,843	648,867,266	144,269,072	268,075,115	414,532,390
Trade and other payables	1,137,905,233	1,137,905,233	1,137,905,233	-	-	-
Accrued mark-up	494,147,375	494,147,375	494,147,375	-	-	-
Short term borrowings	4,508,280,549	4,790,012,236	4,790,012,236	-	-	-
	<u>7,410,744,825</u>	<u>7,897,808,687</u>	<u>7,070,932,110</u>	<u>144,269,072</u>	<u>268,075,115</u>	<u>414,532,390</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 7 and note 11 to these financial statements.

37.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	.....Rupees.....			
As at 30 June 2011				
Assets				
Available for sale financial assets	23,177,060	-	54,711,696	77,888,756
As at 30 June 2010				
Assets				
Available for sale financial assets	34,990,610	-	237,273,230	272,263,840

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimate. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. The Company has no such type of financial instruments as at 30 June 2011.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

37.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	.....Rupees.....		
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	77,888,756	77,888,756
Loans and advances	12,729,412	-	12,729,412
Deposits	12,027,412	-	12,027,412
Trade debts	498,802,691	-	498,802,691
Other receivables	40,722,640	-	40,722,640
Cash and bank balances	229,350,175	-	229,350,175
	<u>793,632,330</u>	<u>77,888,756</u>	<u>871,521,086</u>

Kohinoor Mills Limited - Annual Report 2011

	Financial liabilities at amortized cost
	.....Rupees.....
Liabilities as per balance sheet	
Long term financing	974,619,612
Accrued mark-up	996,903,370
Short term borrowings	3,475,566,183
Trade and other payables	667,171,646
	6,114,260,811

Loans and receivables	Available for sale	Total
.....Rupees.....		

As at 30 June 2010			
Assets as per balance sheet			
Investments	-	272,263,840	272,263,840
Loans and advances	14,537,634	-	14,537,634
Deposits	10,259,251	-	10,259,251
Trade debts	774,726,517	-	774,726,517
Other receivables	19,103,965	-	19,103,965
Cash and bank balances	75,318,124	-	75,318,124
	893,945,491	272,263,840	1,166,209,331

	Financial liabilities at amortized cost
	.....Rupees.....
Liabilities as per balance sheet	
Long term financing	1,270,411,668
Accrued mark-up	494,147,375
Short term borrowings	4,508,280,549
Trade and other payables	1,137,905,233
	7,410,744,825

37.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stake holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to share holders, issue new shares or sell assets to reduce debt.

38 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 03 October 2011.

39 CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made except for the followings:

Security deposit of Rupees 8.775 million has been reclassified from 'trade deposits and short term prepayments' to 'long term security deposits'.

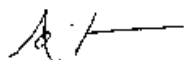
Fuel stock of Rupees 11.403 million has been reclassified from 'stock-in-trade' to 'stores, spares and loose tools'.

Electricity duty of Rupees 2.662 million has been made part of cost of sales instead of netting off with local sales.

Fuel consumed amounting to Rupees 641.841 million has been reclassified from 'raw material consumed' to 'fuel, oil and power' in cost of sales.

40 GENERAL

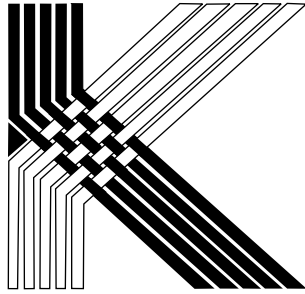
Figures have been rounded off to nearest of Rupee.



CHIEF EXECUTIVE



DIRECTOR



Kohinoor Mills Limited
Consolidated Financial Statements

Directors' Report

The Directors present the consolidated audited results of Kohinoor Mills Limited and its subsidiary Q-Mart Corporation (Private) Limited (the Group) for the year ended 30 June, 2011. The group results are being presented as required by section 237 of the Companies Ordinance, 1984 and in accordance with the requirements of International Accounting Standard-27 (Consolidated and Separate Financial Statements).

During the financial year ended 30 June 2011, the Group incurred a net loss after tax of Rupees 1,417.00 million, compared to net loss of Rupees 1,168.99 million during the preceding financial year. Higher raw material prices, massive gas load-shedding and under-utilization of capacity due to constricted liquidity resulted in depressing the overall performance of the Group. To turn around the current situation of the group, the management has devised and implemented a detailed strategy for debt and corporate restructuring, comprising sale of non-core assets in Hosiery and Apparel Divisions, surplus industrial land, short term investment, fresh equity injection and rescheduling of the bank debt at flexible terms. This will ensure full capacity utilization in Kohinoor Mills and addition of new stores in Q-Mart Corporation is expected to curtail our losses, going forward.

The Directors' Report giving a detailed analysis of the performance of Kohinoor Mills Limited and Q-Mart Corporation (Private) Limited for the year ended 30 June 2011, has also been presented separately.

For and on behalf of the Board

Kasur:
03 October 2011


(AAMIR FAYYAZ SHEIKH)
Chief Executive

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Kohinoor Mills Limited (the Holding Company) and its Subsidiary Company, Q Mart Corporation (Private) Limited as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Kohinoor Mills Limited and its Subsidiary Company, Q Mart Corporation (Private) Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Kohinoor Mills Limited and its Subsidiary Company, Q Mart Corporation (Private) Limited as at 30 June 2011 and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to note 1.2 to the consolidated financial statements, which indicates that the Group has incurred net loss of Rupees 1,417.001 million during the year ended 30 June 2011. Equity of the Group stands at a negative balance of Rupees 1,358.459 million due to accumulated losses of Rupees 3,178.834 million as at 30 June 2011. At the balance sheet date, the Group's current liabilities exceeded its current assets by Rupees 3,937.249 million. The Holding Company could not meet its obligations in respect of repayment of long term financing, short term borrowings and finance cost accrued thereon. These conditions, alongwith other matters as set forth in the note 1.2, indicate the existence of material uncertainty which may cast doubt about the Group's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the realization of the Group's assets and liquidation of any liabilities that may be necessary should the Group be unable to continue as a going concern.

These consolidated financial statements have, however, been prepared on a going concern basis subject to the assumptions of injection of new share capital in the Holding Company by sponsors through right issue, sale of non-core assets of the Holding Company to reduce debt and support from lending institutions in the shape of restructuring of existing financing facilities and reduction in markup rates.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

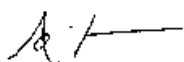
DATE: 03 October 2011

LAHORE

CONSOLIDATED BALANCE SHEET

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	3	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Issued, subscribed and paid-up share capital	4	509,110,110	509,110,110
Reserves	5	<u>(1,867,569,504)</u>	<u>(678,127,614)</u>
Total equity		(1,358,459,394)	(169,017,504)
Surplus on revaluation of operating fixed assets - net of deferred income tax	6	696,537,850	1,024,153,342
Non-current liabilities			
Long term financing - secured	7	-	346,048,931
Deferred income tax liability	8	31,084,682	92,861,746
		31,084,682	438,910,677
Current liabilities			
Trade and other payables	9	877,844,595	1,381,503,518
Loan from director	10	1,000,000	-
Accrued markup	11	996,903,370	494,147,375
Short term borrowings - secured	12	3,475,566,183	4,508,280,549
Current portion of long term financing	7	974,619,612	924,362,737
Provision for taxation		50,954,082	55,513,164
		6,376,887,842	7,363,807,343
Total liabilities		<u>6,407,972,524</u>	<u>7,802,718,020</u>
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		<u><u>5,746,050,980</u></u>	<u><u>8,657,853,858</u></u>

The annexed notes form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE

AS AT 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non-current assets			
Fixed assets	14	3,248,837,096	5,348,301,588
Goodwill		33,884,785	33,884,785
Long term investment	15	-	-
Long term security deposits		11,167,172	12,433,673
Deferred income tax asset	16	12,523,465	22,248,858
		<u>3,306,412,518</u>	<u>5,416,868,904</u>
Current assets			
Stores, spares and loose tools	17	236,551,528	335,012,611
Stock-in-trade	18	521,462,291	1,143,914,555
Trade debts	19	498,802,691	774,726,517
Loans and advances	20	205,617,085	333,321,596
Trade deposits and short term prepayments	21	1,842,725	3,336,297
Other receivables	22	223,217,823	181,514,579
Sales tax recoverable		69,356,657	120,360,426
Short term investments	23	77,888,756	272,263,843
Cash and bank balances	24	231,873,845	76,534,530
		<u>2,066,613,401</u>	<u>3,240,984,954</u>
Non-current assets held for sale	25	373,025,061	-
		<u>2,439,638,462</u>	<u>3,240,984,954</u>
TOTAL ASSETS		<u><u>5,746,050,980</u></u>	<u><u>8,657,853,858</u></u>

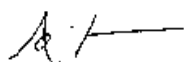


 DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
CONTINUING OPERATIONS:			
SALES	26	5,389,230,976	6,411,543,964
COST OF SALES	27	<u>(5,457,330,674)</u>	<u>(6,058,012,144)</u>
GROSS (LOSS) / PROFIT		(68,099,698)	353,531,820
DISTRIBUTION COST	28	<u>(368,621,721)</u>	<u>(429,616,413)</u>
ADMINISTRATIVE EXPENSES	29	<u>(206,027,778)</u>	<u>(258,423,277)</u>
OTHER OPERATING EXPENSES	30	<u>(170,698,095)</u>	<u>(138,969,482)</u>
		<u>(745,347,594)</u>	<u>(827,009,172)</u>
		(813,447,292)	(473,477,352)
OTHER OPERATING INCOME	31	<u>202,137,483</u>	<u>78,951,387</u>
LOSS FROM OPERATIONS		(611,309,809)	(394,525,965)
FINANCE COST	32	<u>(623,162,232)</u>	<u>(724,447,667)</u>
LOSS BEFORE TAXATION		(1,234,472,041)	(1,118,973,632)
TAXATION	33	<u>(45,406,583)</u>	<u>(50,019,240)</u>
LOSS AFTER TAXATION FROM CONTINUING OPERATIONS		(1,279,878,624)	(1,168,992,872)
DISCONTINUED OPERATIONS:			
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	25	<u>(137,122,137)</u>	<u>-</u>
LOSS AFTER TAXATION		<u>(1,417,000,761)</u>	<u>(1,168,992,872)</u>
LOSS PER SHARE - BASIC AND DILUTED FROM CONTINUING OPERATIONS	34	<u>(25.14)</u>	<u>(22.96)</u>
LOSS PER SHARE - BASIC AND DILUTED FROM DISCONTINUED OPERATIONS	34	<u>(2.69)</u>	<u>-</u>

The annexed notes form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE

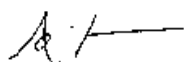


DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
LOSS AFTER TAXATION	(1,417,000,761)	(1,168,992,872)
OTHER COMPREHENSIVE INCOME / (LOSS)		
Impairment loss taken to profit and loss account	-	60,750,903
(Deficit) / surplus arising on re-measurement of available for sale investment to fair value	(39,267,437)	112,676,749
Surplus realized on disposal of available for sale investment	(141,726,463)	-
Deferred income tax relating to surplus on available for sale investment	47,510,899	(29,577,646)
Other comprehensive (loss) / income for the year - net of tax	(133,483,001)	143,850,006
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,550,483,762)	(1,025,142,866)

The annexed notes form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE

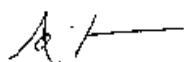


DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,375,023,120)	(1,118,973,632)
Adjustment for non cash charges and other items:		
Depreciation	250,424,149	323,789,101
Amortization on intangible asset	3,151,662	2,815,339
Dividend income	(3,042,108)	(4,153,216)
Gain on sale of operating fixed assets	(3,144,130)	(2,422,222)
Gain on sale of investment	(141,726,465)	-
Gain on sale of non-current assets held for sale	(331,993,572)	-
Loss on disposal of stores, spares and loose tools	26,205,770	-
Impairment loss on equity investment	11,813,550	73,689,552
Provision for doubtful debts	-	50,283,028
Operating fixed assets written off	1,272,274	-
Irrecoverable trade debts written off	136,926,662	-
Advances written off	22,968,777	-
Other receivables written off	14,788,092	-
Credit balances written back	(28,805,808)	-
Capital work-in-progress written off	148,259	-
Finance cost	835,013,912	724,447,667
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL	(581,022,096)	49,475,617
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	72,255,313	55,825,851
Stock-in-trade	622,452,264	60,236,067
Trade debts	138,997,164	47,359,854
Loans and advances	104,735,734	(91,223,074)
Trade deposits and short term prepayments	1,493,572	(8,607,193)
Other receivables	(56,553,696)	(19,685,484)
Sales tax recoverable	51,003,769	(31,399,792)
(DECREASE) / INCREASE IN CURRENT LIABILITIES		
Trade and other payables	(474,853,115)	233,639,821
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	459,531,005	246,146,050
CASH (USED IN) / GENERATED FROM OPERATIONS	(121,491,091)	295,621,667
Income tax paid	(56,253,934)	(52,840,330)
Net decrease in long term security deposits	1,266,501	175,000
Finance cost paid	(310,763,817)	(395,661,114)
NET CASH USED IN OPERATING ACTIVITIES	(487,242,341)	(152,704,777)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(36,929,030)	(127,153,367)
Capital expenditure on intangible asset	-	(793,300)
Proceeds from disposal of property, plant and equipment	21,175,000	23,998,257
Dividend received	3,042,108	4,153,216
Proceeds from sale of non-current assets held for sale	1,861,000,000	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	1,848,288,078	(99,795,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from director	1,000,000	-
Repayment of long term financing	(295,792,056)	-
Short term borrowings - net	(910,914,366)	47,805,201
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(1,205,706,422)	47,805,201
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	155,339,315	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	76,534,530	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	231,873,845	76,534,530

The annexed notes form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	RESERVES							Total equity	
	CAPITAL RESERVES			REVENUE RESERVES					
	Share premium reserve	Fair value reserve	Sub-Total	General reserve	Accumulated loss	Sub-Total	Total reserves		
	----- Rupees -----								
Balance as at 30 June 2009	509,110,110	213,406,310	29,463,545	242,869,855	1,058,027,640	(970,795,826)	87,231,814	330,101,669	839,211,779
Transfer from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	16,913,583	16,913,583	16,913,583	16,913,583
Total comprehensive loss for the year ended 30 June 2010	-	-	143,850,006	-	-	(1,168,992,872)	(1,168,992,872)	(1,025,142,866)	(1,025,142,866)
Balance as at 30 June 2010	509,110,110	213,406,310	173,313,551	386,719,861	1,058,027,640	(2,122,875,115)	(1,064,847,475)	(678,127,614)	(169,017,504)
Transfer from surplus on revaluation of operating fixed assets - net of deferred income tax	-	-	-	-	-	13,799,351	13,799,351	13,799,351	13,799,351
Surplus transferred to accumulated loss on disposal of operating fixed assets - net of deferred income tax	-	-	-	-	-	347,242,521	347,242,521	347,242,521	347,242,521
Total comprehensive loss for the year ended 30 June 2011	-	-	(133,483,001)	(133,483,001)	-	(1,417,000,761)	(1,417,000,761)	(1,550,483,762)	(1,550,483,762)
Balance as at 30 June 2011	509,110,110	213,406,310	39,830,550	253,236,860	1,058,027,640	(3,178,834,004)	(2,120,806,364)	(1,867,569,504)	(1,358,459,394)

The annexed notes form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 THE GROUP

The Group consists of:

Holding Company

- Kohinoor Mills Limited

Subsidiary Company (wholly owned)

- Q Mart Corporation (Private) Limited

Kohinoor Mills Limited

Kohinoor Mills Limited ("the Company") is a public limited Company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate, distribute, supply and sell electricity.

Q Mart Corporation (Private) Limited

Q Mart Corporation (Private) Limited ("the Company"), a wholly owned subsidiary of Kohinoor Mills Limited was incorporated in Pakistan on 18 July 2005 as a private limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at 87/2, Arif Jan Road, Lahore Cantt. The principal activity of the Company is to carry on business as a retailer in all types of general merchandise.

1.2 Going concern assumption

The Group incurred loss after taxation of Rupees 1,168.993 million in the preceding financial year ended 30 June 2010 and further incurred loss after taxation of Rupees 1,417.001 million for the current financial year ended 30 June 2011. These continuing losses have resulted in erosion of Group's reserves and depletion of working capital base. The Holding Company has defaulted on all its long-term loans and most of its short term facilities and mark-up payments.

In order to turn the current state of affairs around, the management devised a detailed strategy for debt and corporate restructuring. With its long experience in fabric business, the management believes that the Group can benefit from its expertise in production, marketing and selling of griega and dyed fabric better than other businesses and that current circumstances warrant that the Group should focus solely on its core competencies. Therefore, the revised strategy envisages increased focus on Holding Company's core business of griega and dyed fabric and divestment from Hosiery and Apparel operations.

To improve the Group's financial position, the sale proceeds from non-core business assets were to be utilized for partial settlement of the Group's bank liabilities and replenishment of its working capital base. The banks were to be approached for restructuring of residual debt.

The major sources identified for funds generation were as follows:

- Sale of assets in Hosiery and Apparel Divisions;
- Sale of short term investment in Security General Insurance Company Limited;
- Sale of surplus Industrial land; and
- Further injection of equity through rights issue.

Accordingly, the sale of assets of Hosiery Division, factory building of Apparel Division and a portion of surplus industrial land was concluded with M/s Interloop Limited, on 9 April 2011, for a total consideration of Rupees 1,900 million. Out of these proceeds, Rupees 1,200 million was utilized to repay the long term loans, short term borrowings and accrued mark up and balance funds were allocated for replenishment of working capital in remaining core businesses. The shares in Security General Insurance Company Limited were sold to Allied Bank Limited in debt-asset swap.

For sale of remaining surplus industrial land, the mandate has been awarded to National Bank of Pakistan for bidding between the lenders of the Holding Company. The successful bidder will settle its facilities in debt-asset swap.

The sponsor directors have offered their personal properties for sale to the Holding Company's lender. The sale shall be concluded through open bidding and proceeds shall be injected in Holding Company as right share issue.

For restructuring of the residual debt in second phase, the Holding Company has obtained the "in principle" approval from most of the bankers for the proposed settlement and restructuring. The remaining debt is proposed to be converted into long term loan with an initial moratorium on principal repayments for two years and at a sustainable mark up rate.

The management is confident that these steps will bring the Group out of the existing financial crisis and the Group will continue as a going concern. These consolidated financial statements, therefore, do not include any adjustment relating to realization of its assets and liquidation of any liabilities that might be necessary should the Group be unable to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for lands and buildings which are carried at revalued amounts and certain financial instruments which are carried at their fair value.

c) Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to these consolidated financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at the balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management. Further, the values of assets are reviewed for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax liability, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

Receivables are reviewed against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

- d) Amendments to published approved standards that are effective in current year and are relevant to the Group

The following amendments to published approved standards are mandatory for the Group's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the consolidated cash flow statement and the presentation of recognized assets in the consolidated balance sheet. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

IFRS 8 (Amendment), 'Operating Segments' (effective for annual periods beginning on or after 01 January 2010). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

- e) Interpretations and amendments to published approved standards that are effective in the current year but not relevant to the Group

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

- f) Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Group

Following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Group is in the process of evaluating the impacts of the aforesaid amendment on the Group's consolidated financial statements.

IFRS 10 'Consolidated Financial Statements' (effective for annual period beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual period beginning on or after 01 January 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures',

IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the Group's consolidated financial statements. These amendments are unlikely to have a significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

- g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Group

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Consolidation

Subsidiary

Subsidiaries are those entities in which Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company.

Inter Group balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as a separate item in the consolidated financial statements.

2.3 Employee benefit

The Holding Company operates a funded contributory provident fund scheme for its permanent employees. The Holding Company and employees make equal monthly contributions of 10 percent of the basic salary, towards the fund. The Holding Company's contribution is charged to the profit and loss account.

2.4 Provisions

Provisions are recognized in the balance sheet when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.5 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6 Foreign currencies

These consolidated financial statements are prepared in Pak Rupees, which is the Group's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses where applicable are recognized in the consolidated profit and loss account.

2.7 Fixed assets

2.7.1 Property, plant and equipment and depreciation

Owned

a) Cost

Property, plant and equipment except freehold land and buildings are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss, buildings are stated at revalued amount less accumulated depreciation and any identified impairment loss, while capital work-in-progress is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to accumulated loss. All transfers to / from surplus on revaluation of operating fixed assets are net of applicable deferred income tax.

b) Depreciation

Depreciation on all operating fixed assets is charged to income on a reducing balance method so as to write off cost / depreciable amount of an asset over its estimated useful life at the rates as disclosed in note 14.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposal up to the month of disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

c) Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated profit and loss account in the year the asset is derecognized.

Leased

a) Finance leases

Leases where the Group has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to income.

b) Operating leases

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

2.7.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method are reviewed and adjusted, if appropriate, at each balance sheet date.

2.8 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is initially measured at fair value.

a) Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in the consolidated profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

c) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in consolidated statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in the consolidated statement of other comprehensive income is included in the consolidated profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

d) Equity investments in associated companies

The investments in associates in which the Group does not have significant influence are classified as "Available-for-Sale".

2.9 Inventories

Inventories, except for stock in transit, waste stock and rejected goods are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of raw material is based on weighted average cost.

Cost of work in process and finished goods comprises prime cost and appropriate production overheads determined on weighted average cost. Cost of goods purchased for resale are valued at their respective purchase price by using first-in-first-out method.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock and rejected goods are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.10 Non-current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sale transaction rather than through continuing use.

2.11 Borrowing costs

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset.

2.12 Revenue recognition

Revenue from different sources is recognized as under.

- (a) Revenue is recognized when the Group has transferred significant risks and rewards associated with ownership of the goods to the buyers. Export sales and local sales are recognized on shipment and dispatch of goods to the customers respectively.
- (b) Dividend on equity investments is recognized as income when right to receive payment is established.
- (c) Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.
- (d) Revenue from sale of electricity is recognized at the time of transmission.

2.13 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the consolidated profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.14 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

2.15 Financial instruments

Financial instruments are recognized at fair value when the Group becomes party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on the subsequent measurement is charged to the consolidated profit and loss account except for available for sale investments. The Group derecognizes a financial asset or a portion of financial asset when, and only

when, the enterprise loses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the consolidated balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are long term investment, trade debts, deposits, loans and advances, other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term borrowings, accrued markup and trade and other payables.

2.15.1 Trade debts and other receivables

Trade debts and other receivable are initially measured at fair value and subsequently at amortized cost using effective interest rate method less provision for impairment. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

2.15.2 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

2.15.3 Markup bearing borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowing using the effective interest rate method.

2.15.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.16 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

Amounts accumulated in equity are recognized in the consolidated profit and loss account in the periods when the hedged item will affect profit or loss.

2.17 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has four reportable business segments. Weaving (Producing different quality of greige fabric using yarn), Dyeing (Converting greige into dyed fabric), Power Generation (Generating and distributing power) and Retail (Selling all type of general merchandise).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.18 Off setting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is reported in the consolidated financial statements when there is legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.19 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.20 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognized immediately through the income statement and is not subsequently reversed.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

			2011 Rupees	2010 Rupees
3	AUTHORIZED SHARE CAPITAL			
	2011	2010		
	(NUMBER OF SHARES)			
	80,000,000	80,000,000	Ordinary shares of Rupees 10 each	800,000,000
	<u>30,000,000</u>	<u>30,000,000</u>	Preference shares of Rupees 10 each	<u>300,000,000</u>
	<u>110,000,000</u>	<u>110,000,000</u>	<u>1,100,000,000</u>	<u>1,100,000,000</u>
4	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL			
	2011	2010		
	(NUMBER OF SHARES)			
	28,546,003	28,546,003	Ordinary shares of Rupees 10 each fully paid in cash	285,460,030
	18,780,031	18,780,031	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	187,800,310
	<u>3,584,977</u>	<u>3,584,977</u>	Ordinary shares of Rupees 10 each issued due to merger with Kohinoor Genertek Limited as per scheme of arrangement	<u>35,849,770</u>
	<u>50,911,011</u>	<u>50,911,011</u>	<u>509,110,110</u>	<u>509,110,110</u>
5	RESERVES			
	Composition of reserves is as follows:			
	Capital			
			Share premium reserve (Note 5.1)	213,406,310
			Fair value reserve - net of deferred income tax (Note 5.2)	173,313,551
			<u>253,236,860</u>	<u>386,719,861</u>
	Revenue			
			General reserve	1,058,027,640
			Accumulated loss	(2,122,875,115)
			<u>(2,120,806,364)</u>	<u>(1,064,847,475)</u>
			<u>(1,867,569,504)</u>	<u>(678,127,614)</u>
5.1	This reserve can be utilized only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.			

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

	2011 Rupees	2010 Rupees
5.2 Fair value reserve - net of deferred income tax		
Balance as at 01 July	235,001,425	61,573,772
Fair value adjustment on investments:		
Impairment loss transferred to consolidated profit and loss account	-	60,750,903
Impact of revaluation of investment	(39,267,437)	112,676,750
Fair value gain realized on disposal of investment	(141,726,463)	-
	(180,993,900)	173,427,653
Less: Deferred income tax liability on unquoted equity investment in Security General Insurance Company Limited - associated company	54,007,525 14,176,975	235,001,425 61,687,874
Balance as at 30 June	39,830,550	173,313,551
5.2.1 This represents the unrealized gain on remeasurement of available for sale investments at fair value and is not available for distribution. This will be transferred to consolidated profit and loss account on realization.		
6 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX		
	2011 Rupees	2010 Rupees
Balance as at 01 July	1,055,327,214	1,074,078,415
Add: Surplus arising on revaluation of operating fixed assets:		
Lands	10,878,343	-
Buildings	27,786,838	-
	38,665,181	-
Less: Surplus in respect of operating fixed assets disposed of during the year:		
Lands	256,087,297	-
Buildings	99,896,136	-
	355,983,433	-
Less: Incremental depreciation	14,838,012	18,751,201
	723,170,950	1,055,327,214
Less: Related deferred income tax liability	26,633,100	31,173,872
Balance as at 30 June	696,537,850	1,024,153,342
7 LONG TERM FINANCING - SECURED		
Obtained by Holding Company		
Financing from banking companies (Note 7.1 and 7.3)	974,619,612	1,270,411,668
Less: Current portion shown under current liabilities (Note 7.2)	974,619,612	924,362,737
	-	346,048,931

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

7.1	Lender	2011	2010	Rate of mark up per annum	Terms of financing and number of installments	Mark up repricing	Mark up payable	Security
		-----Rupees-----						
	National Bank of Pakistan	50,000,000	50,000,000	3-Month KIBOR + 1.25%	Five equal quarterly installments commenced from 31 December 2009 and ending on 30 September 2010. Closing balance of this loan is overdue.	Quarterly	Quarterly	First pari passu / joint pari passu charge of Rupees 67 million over fixed assets of the Holding Company.
	National Bank of Pakistan	45,148,387	45,148,387	3-Month KIBOR + 1.25%	Ten equal semi annual installments from 31 December 2004 to 30 June 2010. Closing balance of this loan is overdue.	Quarterly	Quarterly	First pari passu / joint pari passu charge of Rupees 61 million over fixed assets of the Holding Company.
	National Bank of Pakistan	100,000,477	100,000,477	6-Month KIBOR + 1.25%	Ten equal semi annual installments commenced from 31 March 2005 and ending on 30 September 2010. Closing balance of this loan is overdue.	Half yearly	Quarterly	First pari passu / joint pari passu charge of Rupees 134 million over fixed assets of the Holding Company.
	National Bank of Pakistan	296,367,918	296,367,918	3-Month KIBOR + 2.00%	Twenty four quarterly instalments commenced from 20 May 2010 and ending on 20 February 2016. Closing balance of this loan includes amount due but not paid of Rupees 61.743 million.	Quarterly	Quarterly	First pari passu / joint pari passu charge of Rupees 396 million over fixed assets of the Holding Company.
	United Bank Limited	32,500,000	32,500,000	6-Month KIBOR + 1.00%	Eight equal semi annual installments commenced from 03 February 2006 and ending on 03 August 2010. Closing balance of this loan is overdue.	Half yearly	Quarterly	First pari passu charge of Rupees 200 million over existing and future fixed assets of the Holding Company.
	Allied Bank Limited (Note 7.3)	17,791,327	60,073,988	1-Month KIBOR + 2.50%	Eight equal semi annual installments commenced from 29 March 2006 and ending on 29 September 2010. Closing balance of this loan is overdue.	Monthly	Quarterly	First pari passu charge with 25 % margin over fixed assets of the Holding Company.
	Allied Bank Limited	112,500,000	112,500,000	6-Month KIBOR + 1.5% with floor of 5%.	Eight equal semi annual installments commenced from 31 March 2007 and ending on 30 September 2010. Closing balance of this loan is overdue.	Half yearly	Quarterly	First pari passu charge with 25% margin on fixed assets of the Holding Company.
	The Bank of Punjab (Note 7.3)	-	112,500,000	3-Month KIBOR + 3 %	Fourteen quarterly installments commenced from 28 September 2007 and ending on 28 June 2013.	Quarterly	Quarterly	First pari passu charge of Rupees 566.67 million on all present and future fixed assets of the Holding Company
	The Bank of Punjab (Note 7.3)	195,130,000	300,000,000	3-Month KIBOR + 2.5%	Twelve equal quarterly installments commenced from 13 May 2010 and ending on 13 February 2013. Closing balance of this loan includes amount due but not paid of Rupees 20.130 million.	Quarterly	Quarterly	First pari passu charge of Rupees 566.67 Million on all present and future fixed assets of the Holding Company.
	Faysal Bank Limited (Formerly The Royal Bank of Scotland Limited) (Note 7.3)	-	17,479,892	3-Month KIBOR + 2%	Twenty equal quarterly installments commenced from 01 October 2007 and ending on 01 July 2012.	Quarterly	Quarterly	First exclusive hypothecation charge over power generators.
	Faysal Bank Limited (Formerly The Royal Bank of Scotland Limited) (Note 7.3)	25,181,503	43,841,006	SBP rate for LTF - EOP + 2%	Twenty equal quarterly installments commenced from 01 October 2007 and ending on 01 July 2013. Closing balance of this loan includes amount due but not paid of Rupees 5.453 million	-	Quarterly	First exclusive hypothecation charge over power generators.
	United Bank Limited	100,000,000	100,000,000	6-Month KIBOR + 2%	10 equal semi annual installments commenced from 18 December 2010 and ending on 18 June 2015. Closing balance of this loan includes amount due but not paid of Rupees 20 million.	Half yearly	Quarterly	First pari passu charge of Rupees 200 million over existing and future fixed assets of the Holding Company.
		<u>974,619,612</u>	<u>1,270,411,668</u>					

7.2 The aggregate current portion of long term financing from banking companies of Rupees 974.620 million represents principal installments aggregating to Rupees 509.353 million, which, under the terms of original loan agreements were due for repayment in period subsequent to 30 June 2012 and principal installments aggregating to Rupees 465.267 million, which, under the terms of original loan agreements were overdue but not paid uptill the year ended 30 June 2011 by the Holding Company. The Holding Company is in negotiation with respective lenders for relaxation in payment terms and certain other covenants and has been successful in getting 'in principal' approval for the proposed settlement and restructuring of borrowings aggregating Rupees 816.937 million, subsequent to the reporting period. However, as the Holding Company could not repay on a timely basis the instalments due uptill the year ended 30 June 2011, which represents a breach of the respective loan agreements, therefore these loans are disclosed as a current liability under the guidance contained in IAS 1 'Presentation of Financial Statements'.

7.3 The decrease in long term financing of Rupees 295.792 million during the year ended 30 June 2011 represents adjustments of principal amounts of loans payable to three banking companies against consideration from sale of assets of the Holding Company to M/s Interloop Limited. However, no other repayments of outstanding loans were made during the year.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

		2011 Rupees	2010 Rupees
8	DEFERRED INCOME TAX		
	The (liability) / asset for deferred taxation originated due to temporary differences relating to:		
	Taxable temporary differences of Holding Company on:		
	Accelerated tax depreciation	87,554,685	181,454,251
	Surplus on revaluation of operating fixed assets	16,907,707	31,173,872
	Surplus on revaluation of investment - available for sale	14,176,975	61,687,874
		<u>118,639,367</u>	<u>274,315,997</u>
	Deductible temporary difference of Holding Company on:		
	Accumulated tax losses	<u>(351,349,289)</u>	<u>(330,690,176)</u>
	Net deferred income tax asset	<u>(232,709,922)</u>	<u>(56,374,179)</u>
	Less: Deferred income tax liability recognized (Note 8.1)	<u>31,084,682</u>	<u>92,861,746</u>
	Net deferred income tax asset not recognized	<u>(263,794,604)</u>	<u>(149,235,925)</u>
8.1	Deferred income tax liability on surplus on revaluation of operating fixed assets and surplus on revaluation of investment available for sale - Security General Insurance Company Limited has been recognized in these consolidated financial statements. Remaining net deferred income tax asset of Holding Company aggregating to Rupees 263.795 million (2010: Rupees 149.236 million) has not been recognized in these consolidated financial statements as the temporary differences are not expected to reverse in the foreseeable future.		
9	TRADE AND OTHER PAYABLES	2011 Rupees	2010 Rupees
	Creditors	604,200,753	1,061,354,982
	Advances from customers	118,249,429	157,320,644
	Sales commission payable	40,931,705	36,987,333
	Income tax deducted at source	60,180,001	41,256,683
	Security deposits - interest free	647,278	508,193
	Payable to employees' provident fund trust	4,714,982	1,141,153
	Accrued and other liabilities	44,188,910	78,202,993
	Unclaimed dividend	4,731,537	4,731,537
		<u>877,844,595</u>	<u>1,381,503,518</u>
10	LOAN FROM DIRECTOR		
	This represents unsecured and interest free loan obtained by the Subsidiary Company from its director. This loan is repayable on demand.		
11	ACCRUED MARKUP		
	Long term financing (Note 11.1)	313,378,742	164,971,306
	Short term borrowings (Note 11.2)	683,524,628	329,176,069
		<u>996,903,370</u>	<u>494,147,375</u>
11.1	This includes overdue markup of Rupees 275.387 million (2010: Rupees 115.407 million)		

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

- 11.2 This includes overdue markup of Rupees 558.813 million (2010: Rupees 202.887 million). Moreover, during the year ended 30 June 2011, accrued markup on short term borrowings, payable to a banking company, of Rupees 59.777 million was adjusted against consideration from sale of assets of the Holding Company to M/s Interloop Limited.

	2011 Rupees	2010 Rupees
12 SHORT TERM BORROWINGS - SECURED		
From banking companies-secured		
Short term running finance (Note 12.1 & 12.2)	536,373,393	605,404,912
SBP refinance (Note 12.1 & 12.3)	2,794,972,791	2,199,084,000
Other short term finances (Note 12.1 & 12.4)	144,219,999	1,703,791,637
	<u>3,475,566,183</u>	<u>4,508,280,549</u>

- 12.1 These facilities are secured against hypothecation charge on current assets, lien on export contracts / letters of credit, first and second pari passu charge on assets, personal guarantees of directors, pledge of investment in listed security and ranking charge on fixed assets of the Holding Company. As per the original terms of the respective agreements with the banks, the aggregate borrowing facilities stand expired as at 30 June 2011.

- 12.2 The rate of mark up ranges from 13.54% to 15.53% per annum (2010: 13.84% to 14.27% per annum).

- 12.3 The rate of mark up ranges from 8.5% to 11% per annum (2010: 7.5% to 9% per annum) on the balance outstanding.

- 12.4 The rates of mark up on local and foreign currency loans ranges from 12.31% to 22% per annum (2010: 12.13% to 22% per annum) and 4.40% to 7.45% per annum (2010: 3.96% to 9.62% per annum) respectively.

- 12.5 During the year ended 30 June 2011, short term borrowings amounting to Rupees 844.435 million were adjusted against consideration from sale of assets of the Holding Company to M/s Interloop Limited and short term borrowings amounting to Rupee 121.800 million have been adjusted against consideration from sale of investment in Security General Insurance Company Limited - Associated company to Allied Bank Limited.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Holding Company

- 13.1.1 The Deputy Collector (Refund – Gold) by order dated 19 June 2007 rejected the input tax claim of the Holding Company, for the month of June 2005, amounting to Rupees 10.345 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. Consequently, the Holding Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR has decided this appeal in favour of the Holding Company subject to necessary verification. Pending the outcome of necessary verification, no provision for inadmissible input tax has been recognized in these consolidated financial statements, since the Holding Company is confident of the outcome of verification.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

- 13.1.2 The Additional Collector, Sales Tax Department has raised sales tax demand amounting to Rupees 8.956 million alongwith additional tax and penalty, as a result of sales tax audit for the year 1999-2000 conducted by the Sales Tax Department. The Holding Company is contesting the demand and management is confident that decision will be in favour of the Holding Company, hence, no provision there against has been made in these consolidated financial statements.
- 13.1.3 The Additional Commissioner Inland Revenue (Audit) has charged turnover tax on local sales aggregating to Rupees 13.318 million for the tax years 2005, 2005 (Transitional), 2006 and 2007. Since the issue of minimum tax has been resolved by Honorable Lahore High Court in favour of taxpayers in other identical cases, the Holding Company filed appeals before Commissioner Inland Revenue (Appeals) [CIR(A)] against the orders. The appeals before CIR(A) were decided in favour of the Holding Company. The Income Tax Department has moved to ATIR against the order of CIR(A). Pending the outcomes of appeals, no provision has been made in these consolidated financial statements as the management is confident that decision will be in favour of the Holding Company.
- 13.1.4 Bank guarantees of Rupees 65.80 million (2010: Rupees 65.80 million) are given by the banks of the Holding Company in favour of Sui Northern Gas Pipelines Limited against gas connections.
- 13.1.5 Bank guarantee of Rupees 6.5 million (2010: Rupees 6.5 million) is given by the bank of the Holding Company in favour of Director, Excise and Taxation to cover the disputed amount of infrastructure cess.
- 13.1.6 Lahore Electric Supply Company Limited (LESCO) has served a notice to the Holding Company in connection with violation of Power Purchase Agreement. According to the aforesaid notice, the Holding Company was using gas alongwith Refined Furnace Oil (RFO) in the ratio of 50:50 as co-fuel in order to generate electric power for sale to LESCO whereas tariff was charged to LESCO on the basis of RFO. The matter is being resolved under the provisions of above said Power Purchase Agreement. An amount of Rupees 86.833 million receivable by the Holding Company from LESCO is still unpaid. No provision in these consolidated financial statements has been made against this receivable, as the Holding Company is confident that the said amount will be recovered in full.

Subsidiary Company

13.1.7 Land

The Subsidiary company had acquired a piece of freehold land and paid token (baiyana) of Rupees 500,000 but the sellers have filed a suit for the increase of price in the local court as explained in note 8.2.1. The management is confident that case will be decided in their favor.

13.2 Commitments

Holding Company

- 13.2.1 Aggregate commitments for capital expenditures and revenue expenditures are amounting to Rupees Nil and Rupees 9.677 million (2010: Rupees 0.650 million and Rupees 51.383 million) respectively.
- 13.2.2 Post dated cheques issued to suppliers are amounting to Rupees 131.882 million (2010: Rupees 27.507 million).

Subsidiary Company

- 13.2.3 Post dated cheques issued to suppliers are amounting to Rupees 3.465 million (2010: Rupees 4.485 million).

14	FIXED ASSETS	2011 Rupees	2010 Rupees
	Property, plant and equipment		
	Operating fixed assets (Note 14.1)	3,214,533,187	5,299,081,071
	Capital work-in-progress (Note 14.2)	31,500,666	42,653,027
		3,246,033,853	5,341,734,098
	Intangible asset - computer software (Note 14.1)	2,803,243	6,567,490
		3,248,837,096	5,348,301,588

14.1 Reconciliation of carrying amounts of operating fixed assets and intangible assets at the beginning and end of the year are as follows:

Description	Operating fixed assets										Intangible asset
	Freehold land	Residential building	Factory building	Building on leasehold land	Plant and machinery	Electric installations	Furniture, fixtures and equipment	Computers	Motor vehicles	Total	
As at 30 June 2009											
Cost / revalued amount	851,161,007	351,922,272	1,063,568,832	9,716,407	4,972,295,625	126,731,653	140,270,646	47,259,184	85,143,515	7,648,129,141	15,085,695
Accumulated depreciation / amortization	-	(32,583,617)	(225,530,832)	(2,744,474)	(1,746,012,119)	(51,974,901)	(47,708,811)	(29,242,022)	(29,059,545)	(2,164,856,321)	(6,496,166)
Net book value	851,161,007	319,338,655	838,038,000	7,031,933	3,226,283,506	74,756,752	92,561,835	18,017,162	56,083,970	5,483,272,820	8,589,529
Year ended 30 June 2010											
Opening net book value	851,161,007	319,338,655	838,038,000	7,031,933	3,226,283,506	74,756,752	92,561,835	18,017,162	56,083,970	5,483,272,820	8,589,529
Additions	-	-	2,992,907	4,771,969	129,925,991	4,532,148	8,168,072	6,013,114	4,763,186	161,173,387	793,300
Disposals:											
Cost	(2,800,000)	-	-	-	(60,837,573)	-	-	(9,800)	(11,087,481)	(74,734,854)	-
Accumulated depreciation	(2,800,000)	-	-	-	47,969,312	-	-	6,468	5,183,039	53,158,819	-
Depreciation charge / amortization	-	(15,976,291)	(41,891,843)	(3,236,033)	(230,172,373)	(7,720,172)	(9,135,451)	(7,880,059)	(7,776,879)	(323,789,101)	(2,815,339)
Closing net book value	848,361,007	303,362,364	799,139,064	8,573,869	3,113,168,863	71,568,728	91,594,456	16,146,885	47,165,835	5,299,081,071	6,567,490
As at 30 June 2010											
Cost / revalued amount	848,361,007	351,922,272	1,066,561,739	14,554,376	5,041,384,043	131,263,801	148,438,718	53,262,498	78,819,220	7,734,567,674	15,878,995
Accumulated depreciation - amortization	-	(48,559,909)	(267,422,675)	(5,980,507)	(1,928,215,180)	(59,695,073)	(56,844,262)	(37,115,613)	(31,653,385)	(2,435,486,603)	(9,311,505)
Net book value	848,361,007	303,362,364	799,139,064	8,573,869	3,113,168,863	71,568,728	91,594,456	16,146,885	47,165,835	5,299,081,071	6,567,490
Year ended 30 June 2011											
Opening net book value	848,361,007	303,362,364	799,139,064	8,573,869	3,113,168,863	71,568,728	91,594,456	16,146,885	47,165,835	5,299,081,071	6,567,490
Additions	-	310,000	13,226,074	528,000	22,208,122	1,258,559	1,696,750	1,984,880	2,306,000	43,518,385	-
Surplus on revaluation	10,878,343	27,786,838	-	-	-	-	-	-	-	38,665,181	-
Disposals:											
Cost	(1,288,500)	-	-	(1,408,450)	(39,809,212)	-	-	(28,750)	(8,377,871)	(50,912,783)	-
Accumulated depreciation	(1,288,500)	-	-	908,450	32,134,767	-	-	11,649	4,241,794	37,296,660	-
Reclassified to non-current assets held for sale:											
Cost	(557,500,000)	(45,808,076)	(623,866,944)	-	(1,141,019,427)	(33,830,074)	(42,885,313)	(17,233,080)	-	(2,461,842,914)	(2,182,572)
Accumulated depreciation / amortization	-	3,581,121	110,348,527	-	405,912,323	13,501,721	13,897,074	13,183,244	-	560,424,010	1,569,987
Write-off:											
Cost	(557,500,000)	(42,226,955)	(513,518,417)	-	(735,107,104)	(20,328,353)	(28,868,239)	(4,049,836)	-	(1,901,418,904)	(612,585)
Accumulated depreciation	-	-	-	-	-	-	(1,851,666)	-	-	(1,851,666)	-
Depreciation charge / amortization	-	(13,924,503)	(25,236,468)	(2,954,350)	(183,475,903)	(5,997,620)	(7,025,598)	(4,959,921)	(6,846,786)	(250,424,149)	(3,151,662)
Closing net book value	300,450,850	275,307,744	273,610,253	5,647,519	2,209,119,533	46,501,314	56,302,095	9,104,907	38,488,972	3,214,533,187	2,803,243
As at 30 June 2011											
Cost / revalued amount	300,450,850	334,211,034	455,920,869	13,673,926	3,882,763,526	98,692,286	105,698,489	37,985,548	72,747,349	5,302,143,877	13,696,423
Accumulated depreciation / amortization	-	(58,903,290)	(182,310,616)	(8,026,407)	(1,673,643,993)	(52,190,972)	(49,596,394)	(28,880,641)	(34,236,377)	(2,087,610,690)	(10,893,180)
Net book value	300,450,850	275,307,744	273,610,253	5,647,519	2,209,119,533	46,501,314	56,302,095	9,104,907	38,488,972	3,214,533,187	2,803,243
Depreciation / amortization rate % per annum	-	5	5	33	5 - 10	10	10	30	20	20	20

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

- 14.1.1 Lands and buildings of the Holding Company were revalued as at 30 June 2009 by independent valuer, Messrs Hamid Mukhtar and Company (Private) Limited. Lands and buildings on freehold land of Subsidiary Company were revalued as at 30 June 2011 by an independent valuer, M/s Haseeb Associates (Private) Limited. Had there been no revaluation, the value of assets would have been lower by Rupees 510.150 million (2010: Rupees 1,055.327 million)
- 14.1.2 The book value of lands and buildings on cost basis is Rupees 59.626 million and Rupees 279.592 million (2010: Rupees 128.309 million and Rupees 666.056 million) respectively.
- 14.1.3 Freehold land of Subsidiary Company includes two pieces of land having carrying value of Rupees 22.747 million and Rupees 5.355 million which are in the name of Mr. Amir Fayyaz Sheikh (director) and Mrs. Amir Fayyaz Shiekh respectively.
- 14.1.4 Detail of operating fixed assets exceeding book value of Rupees 50,000 disposed of during the year is as follows:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Mode of disposal	Particulars of purchasers
----- Rupees -----							
Land							
Plot near Bhera Road, Jhavarian	1,288,500	-	1,288,500	2,085,253	Negotiation	Negotiation	Muslim Hands International, Islamabad
Building on leasehold land	1,408,450	908,450	500,000	500,000	Negotiation	Negotiation	Syed Fahad Haider, Lahore
Motor vehicles							
Suzuki Cultus LRF-9678	559,050	423,899	135,151	365,000	Negotiation	Negotiation	Yawar Ali, Lahore
Hyundai Santro LWR-4676	618,000	324,063	293,937	275,000	Negotiation	Negotiation	Muhammad Arshad, Lahore
Club Car	529,000	265,205	263,795	330,000	Negotiation	Negotiation	US Apparel (Private) Limited
Suzuki Cultus LXY-3360	622,738	469,645	153,093	375,000	Negotiation	Negotiation	Yawar Ali, Lahore
Suzuki Bolan LRS-5538	373,120	251,313	121,807	345,000	Negotiation	Negotiation	Nasar Mehmood, Lahore
Suzuki Cultus LZU-4305	705,000	355,445	349,555	475,000	Negotiation	Negotiation	Muhammad Faisal Akram, Lahore
Suzuki Bolan LRJ-5415	367,000	243,037	123,963	295,000	Negotiation	Negotiation	Muhammad Faisal Akram, Lahore
Suzuki Cultus LWR-1929	580,000	294,538	285,462	540,000	Negotiation	Negotiation	Muhammad Faisal Akram, Lahore
Honda City LZZ-774	866,109	463,155	402,954	800,000	Negotiation	Negotiation	Amir Farooqi, Lahore
Suzuki Cultus LEE-3158	611,991	236,742	375,249	550,000	Negotiation	Negotiation	Irfan Shabir, Lahore
Suzuki Cultus LEB-3660	626,468	293,796	332,672	520,000	Negotiation	Negotiation	Muhammad Tahir, Lahore
Hyundai Shehzore-LES-7288	772,000	310,447	461,553	737,000	Negotiation	Negotiation	Mr. Arshad Munir, Sargodha
Suzuki Cultus-LEB-08-6062	479,910	54,390	425,520	645,000	Negotiation	Negotiation	Mr. Rauf Shaukat, Lahore
Suzuki Baleno-LZR-9670	400,000	169,600	230,400	460,000	Negotiation	Negotiation	Mr. Ritwan, Lahore
Hyundai Shehzore-LZR-6765	229,585	60,840	168,745	627,000	Negotiation	Negotiation	Mr. Rana M. Yousaf, Lahore
Plant and machinery							
20 Tsudakoma Airjet Looms	39,809,212	32,134,767	7,674,445	6,800,000	Negotiation	Negotiation	Galaxy Engineering (Private) Limited, Karachi
	<u>50,846,133</u>	<u>37,259,332</u>	<u>13,586,801</u>	<u>16,724,253</u>			
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000							
	66,650	37,328	29,322	36,000			
	<u>50,912,783</u>	<u>37,296,660</u>	<u>13,616,123</u>	<u>16,760,253</u>			

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

	2011 Rupees	2010 Rupees
14.1.5 The gain on disposal of operating fixed assets for the year has been allocated as follows:		
Other operating income (Note 31)	2,383,106	921,153
Discontinued operations (Note 25.1)	<u>761,024</u>	<u>-</u>
	<u><u>3,144,130</u></u>	<u><u>921,153</u></u>
14.1.6 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 27)	186,452,012	295,199,691
Distribution cost (Note 28)	1,457,574	2,159,129
Administrative expenses (Note 29)	19,199,571	26,430,281
Discontinued operations (Note 25.1 and 25.2)	<u>43,314,992</u>	<u>-</u>
	<u><u>250,424,149</u></u>	<u><u>323,789,101</u></u>
14.1.7 The amortization of intangible asset amounting to Rupees 3.152 million (2010: Rupees 2.815 million) is included in administrative expenses.		
14.1.8 Holding Company's land having cost of Rupees 1.865 million (2010: Rupees 1.865 million) is in the possession of the Punjab Social Security Health Management Company as at 30 June 2011 for which finalization of sale proceeds is pending.		
14.2 CAPITAL WORK-IN-PROGRESS		
Land (Note 14.2.1)	500,000	500,000
Plant and machinery	31,000,666	36,900,021
Civil work on freehold land (Note 14.2.2 and 14.2.3)	-	4,563,006
Electric Installations	<u>-</u>	<u>690,000</u>
	<u><u>31,500,666</u></u>	<u><u>42,653,027</u></u>
14.2.1 The Subsidiary Company has acquired a piece of freehold land measuring more than one Kanal situated at Umer Park Chak No.47 North Tehsil, District Sargodha for Rupees 3 million against which Rupees 0.5 million has been paid as token (baiyana). The Subsidiary Company has the possession of the land. However, the owner has filed a suit against the Subsidiary Company for the increase in the price of the land.		
14.2.2 During the year ended 30 June 2011, the Subsidiary Company has changed its plan to open new store at Jhavarian. Therefore, all the civil works-in-progress having cost of Rupees 4.418 million have been sold during the year.		
14.2.3 Civil works-in-progress amounting to Rupees 0.148 million at Rahwali Cantt., Gujranwala have been written off as the management of the Subsidiary Company has changed its plan to open new store at this location.		
15 LONG TERM INVESTMENT		
Available for sale		
Associated company (without significant influence)		
K-2 Hosiery (Private) Limited - unquoted		
1,194,000 (2010: 1,194,000) ordinary shares of Rupees 10 each	-	11,940,000
Less: Written off against provision	<u>-</u>	<u>11,940,000</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

		2011 Rupees	2010 Rupees
16	DEFERRED INCOME TAX ASSET		
	Deferred income tax liability on taxable temporary differences of Subsidiary Company :		
	Accelerated tax depreciation and amortization	(23,237,509)	(24,516,703)
	Surplus on revaluation of operating fixed assets	<u>(9,725,393)</u>	-
		<u>(32,962,902)</u>	<u>(24,516,703)</u>
	Deferred income tax asset on deductible temporary differences of Subsidiary Company :		
	Accumulated tax losses	<u>78,011,629</u>	<u>71,952,258</u>
	Deferred income tax asset - net	45,048,727	47,435,555
	Deferred income tax asset - net, not recognized in the consolidated financial statements	<u>32,525,262</u>	<u>25,186,697</u>
	Deferred income tax asset - net, recognized in the consolidated financial statements	<u>12,523,465</u>	<u>22,248,858</u>
16.1	The Subsidiary Company is in growth phase and expects that taxable profits up to an extent will be available to utilize its tax losses.		
17	STORES, SPARES AND LOOSE TOOLS		
	Stores and spares	231,507,685	331,362,801
	Loose tools	<u>5,043,843</u>	<u>3,649,810</u>
		<u>236,551,528</u>	<u>335,012,611</u>
17.1	Stores, spares and loose tools of Hosiery Division of the Holding Company with a carrying amount of Rupees 41.943 million have been sold to M/s Interloop Limited for Rupees 39.000 million as part of sale of assets of the Holding Company during the year. The loss on disposal of stores, spares and loose tools is included in loss after taxation from discontinued operations (Note 25.1).		
18	STOCK-IN-TRADE		
	Raw material	109,567,292	214,670,579
	Work-in-process	57,287,055	237,149,479
	Finished goods (Note 18.1 and 18.2)	<u>354,607,944</u>	<u>692,094,497</u>
		<u>521,462,291</u>	<u>1,143,914,555</u>
18.1	This includes finished goods of Rupees 36.455 million (2010: Rupees 110.941 million) valued at net realizable value.		
18.2	Finished goods includes stock-in-transit amounting to Rupees 90.493 million (2010: Rupees 218.436 million).		
19	TRADE DEBTS		
	Considered good:		
	Secured (against letters of credit)	338,549,504	360,835,586
	Unsecured	<u>160,253,187</u>	<u>413,890,931</u>
		<u>498,802,691</u>	<u>774,726,517</u>
	Considered doubtful:		
	Others - unsecured	-	50,283,028
	Less: Provision for doubtful trade debts		
	As at 01 July	50,283,028	-
	Add: Provision for the year	136,926,662	50,283,028
	Less: Written off against provision	<u>(187,209,690)</u>	-
	As at 30 June	<u>-</u>	<u>50,283,028</u>
		<u>-</u>	<u>-</u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

- 19.1 As on 30 June 2011, trade debts of Rupees 289.639 million (2010: Rupees 285.146 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2011 Rupees	2010 Rupees
Upto 1 month	159,836,880	77,088,699
1 to 6 months	19,385,362	34,609,321
More than 6 months	<u>110,417,254</u>	<u>173,448,349</u>
	<u>289,639,496</u>	<u>285,146,369</u>

- 19.2 As at 30 June 2011, trade debts of Rupees 187.210 million (2010: Rupees 50.283 million) were impaired. These impaired trade debts were written off during the year ended 30 June 2011. The aging of these trade debts was more than three years.

20 LOANS AND ADVANCES

Considered good:

Advances to:

- staff (Note 20.1)	6,432,815	10,664,024
- suppliers	185,989,994	275,174,705
- contractors	69,375	5,163,570
Letters of credit	<u>13,124,901</u>	<u>42,319,297</u>
	<u>205,617,085</u>	<u>333,321,596</u>

- 20.1 This includes interest free advances to executives amounting to Rupees 1.260 million (2010: Rupees 4.305 million).

21 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	1,569,162	103,500
Short term prepayments	<u>273,563</u>	<u>3,232,797</u>
	<u>1,842,725</u>	<u>3,336,297</u>

22 OTHER RECEIVABLES

Considered good:

Advance income tax	85,734,780	85,797,140
Export rebate and claims	96,557,902	62,955,137
Research and development support receivable	-	4,640,876
Receivable from employees' provident fund trust	-	8,012,723
Miscellaneous (Note 22.1)	<u>40,925,141</u>	<u>20,108,703</u>
	<u>223,217,823</u>	<u>181,514,579</u>

- 22.1 It includes an amount of Rupees 40.000 million with Allied Bank Limited, Escrow Agent, out of the total sale consideration for assets disposed of to M/s Interloop Limited during the year. This amount will be adjusted by Allied Bank Limited against financing facilities extended to the Holding Company.

23 SHORT TERM INVESTMENTS

Available for sale

Quoted

Maple Leaf Cement Factory Limited (Note 23.3)

11,251,000 (2010: 11,251,000) ordinary shares of Rupees 10 each	169,431,065	169,431,065
Accumulated impairment loss (Note 28)	<u>(146,254,005)</u>	<u>(134,440,455)</u>

Unquoted

Security General Insurance Company Limited - associated company (Note 23.1 and 23.4)

643,667 (2010: 2,076,608) fully paid ordinary shares of Rupees 10 each	704,171	2,271,806
Add: Fair value adjustment	54,007,525	235,001,427

	<u>54,711,696</u>	<u>237,273,233</u>
	<u>77,888,756</u>	<u>272,263,843</u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

- 23.1 During the year ended 30 June 2011, the Holding Company has sold 1,432,941 shares of Security General Insurance Company Limited (SGI) to Allied Bank Limited (ABL) at a price of Rupees 100 per share. Out of the total sale consideration of Rupees 143.294 million, Rupees 121.800 million have been adjusted by ABL against outstanding short term borrowing facilities extended by it to the Holding Company and Rupees 21.494 million have been adjusted against transaction fee payable to ABL. Fair value of remaining 643,667 shares in SGI has been determined by an independent valuer at Rupees 129.17 (2010: Rupees 114.26) per share using the net assets based valuation method. However, the management of the Holding Company has valued its remaining investment in SGI after discounting the fair value per share as determined by the valuer by 34.20% to equate it with a recent market transaction between knowledgeable, willing parties.
- 23.2 Security General Insurance Company Limited is an associated company due to common directorship.
- 23.3 5,377,000 (2010: 5,377,000) ordinary shares of Maple Leaf Cement Factory Limited with a market value of Rupees 11.077 million (2010: Rupees 16.722 million) are pledged as security against short term borrowings as referred in Note 12.1.
- 23.4 640,000 ordinary shares of Security General Insurance Company Limited have been pledged in favour of Allied Bank Limited, the Security Agent, under the Security Agency Agreement dated 07 April 2011 by and between the Holding Company, M/s Interloop Limited and Allied Bank Limited to secure performance of certain conditions subsequently required to be satisfied by the Holding Company pursuant to the sale of assets during the year.

	2011 Rupees	2010 Rupees
24 CASH AND BANK BALANCES		
Cash in hand (Note 24.1)	5,079,291	4,755,082
Cash with banks:		
On current accounts (Note 24.2 and 24.4)	27,542,656	52,934,308
On deposit accounts (Note 24.3)	199,251,898	18,845,140
	226,794,554	71,779,448
	231,873,845	76,534,530

- 24.1 Cash in hand includes foreign currency of US\$ 1,170 and Euro 4,350 (2010: US\$ 1,063, Euro 3,095, Canadian Dollars 1,000, Chinese Yuan 1,410, GBP 1,200 and ASD 200).
- 24.2 Cash with banks in current accounts includes foreign currency balance of US\$ 884.29 (2010: US\$ 33.20).
- 24.3 Rate of profit on bank deposits ranges from 5.06% to 11.50% (2010: 5% to 8%) per annum.
- 24.4 Cash with banks on current accounts includes an amount of Rupees 8.491 million with Allied Bank Limited, the Security Agent, in a non-checking account, to secure performance of certain conditions subsequently required to be satisfied by the Holding Company pursuant to the sale of assets to M/s Interloop Limited during the year.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

25 NON-CURRENT ASSETS HELD FOR SALE

The non-current assets classified as held for sale under International Financial Reporting Standard (IFRS) 5 'Non-current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

	2011 Rupees	2010 Rupees
(a) Non-current assets of the Holding Company classified as held for sale		
Fixed assets - Hosiery Division (Note 25.1)	-	-
Property, plant and equipment - Apparel Division (Note 25.2)	123,025,061	-
Surplus Industrial land (Note 25.3)	250,000,000	-
	<u>373,025,061</u>	<u>-</u>
(b) Analysis of the result of discontinued operations of the Holding Company		
(Loss) / Profit after taxation from discontinued operations		
Hosiery Division (Note 25.1)	(250,325,326)	-
Apparel Division (Note 25.2)	51,703,189	-
Surplus Industrial land (Note 25.3)	61,500,000	-
	<u>(137,122,137)</u>	<u>-</u>
Cash flows from discontinued operations		
Hosiery Division (Note 25.1)	202,483,420	-
Apparel Division (Note 25.2)	72,547	-
Surplus Industrial land (Note 25.3)	369,000,000	-
	<u>571,555,967</u>	<u>-</u>

A breakup of the constituents of non-current assets of the Holding Company held for sale and discontinued operations of the Holding Company is given as follows:

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

25.1 Fixed assets - Hosiery Division

The Board of Directors of the Holding Company in its meeting held on 23 November 2010 resolved to dispose of the fixed assets of the Hosiery Division, which was approved by the members of the Holding Company in the Extra-Ordinary General Meeting held on 20 January 2011. A Memorandum of Understanding as amended by addendums dated 31 January 2011 and 28 February 2011, for sale of assets by and between the Holding Company, M/s Interloop Limited and majority shareholders of the Holding Company was made on 24 December 2010 whereby the Holding Company offered to sell and M/s Interloop Limited agreed to purchase the assets of Hosiery Division including stores, spares and loose tools, factory building of Apparel Division and a portion of surplus industrial land of the Holding Company, free from any claims, demands, litigations, liens or encumbrances of any nature, for a sum of Rupees 1.9 billion. The parties to the Memorandum of Understanding signed an agreement for sale of assets on 01 April 2011, after the Holding Company had obtained, the consent of all secured lenders.

The sale consideration plus applicable sales tax and less applicable withholding income tax was received on 09 April 2011 by the Holding Company in Escrow Account opened with the Escrow Agent. The sale consideration was utilized for repayment of long term financing, short term borrowings, accrued markup, transaction advisory fee, EOBI and social security contributions and for meeting the working capital requirements of the Holding Company.

Non-current assets classified as held for sale

The carrying amounts of non-current assets of the Hosiery Division classified as held for sale during the year and disposed of to M/s Interloop Limited as part of the sale transaction referred above are as follows:

	2011 Rupees	2010 Rupees
Transferred from fixed assets during the year:		
Residential building	42,226,955	-
Factory building	372,396,511	-
Plant and machinery	633,978,463	-
Electric installations	13,083,433	-
Furniture, fixtures and equipment	14,571,774	-
Computers	3,514,801	-
Intangible asset	612,585	-
	<u>1,080,384,522</u>	-
Less: Sale consideration	1,277,121,000	-
Net gain on disposal of non-current assets classified as held for sale	<u>196,736,478</u>	-
Analysis of the result of discontinued operation		
SALES	628,114,122	-
COST OF SALES	<u>(795,318,691)</u>	-
GROSS LOSS	(167,204,569)	-
DISTRIBUTION COST	(36,106,161)	-
ADMINISTRATIVE EXPENSES	(34,993,074)	-
OTHER OPERATING EXPENSES *	<u>(39,892,206)</u>	-
	<u>(110,991,441)</u>	-
	(278,196,010)	-
OTHER OPERATING INCOME **	<u>237,343,669</u>	-
LOSS FROM DISCONTINUED OPERATION	(40,852,341)	-
FINANCE COST	<u>(211,851,680)</u>	-
LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION	(252,704,021)	-
TAXATION	2,378,695	-
LOSS AFTER TAXATION FROM DISCONTINUED OPERATION	<u>(250,325,326)</u>	-

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

* It includes the loss on disposal of stores, spares and loose tools of Hosiery Division to M/s Interloop Limited amounting to Rupees 2.943 million. It also includes irrecoverable trade debts written off, loss on sale of other stores, spares and loose tools, other receivables written off, advances to staff written off, sales tax recoverable written off and security deposits written off amounting to Rupees 2.300 million, Rupees 23.263 million, Rupees 6.802 million, Rupees 0.154 million, Rupees 4.399 million and Rupees 0.031 million respectively.

** It includes net gain of Rupees 196.736 million on disposal of non-current assets classified as held for sale during the year. It also includes credit balances written back amounting to Rupees 18.488 million.

	2011 Rupees	2010 Rupees
Analysis of the cash flows of discontinued operation		
Cash flows from operating activities	128,895,020	-
Cash flows from investing activities	1,273,588,400	-
Cash flows from financing activities	<u>(1,200,000,000)</u>	-
	<u>202,483,420</u>	<u>-</u>

25.2 Property, plant and equipment - Apparel Division

The Board of Directors of the Holding Company in its meeting held on 23 November 2010 also resolved to dispose of the fixed assets of Apparel Division which was approved by the members of the Holding Company in Extra-ordinary General Meeting held on 24 February 2011. Out of the total non-current assets classified as held for sale during the year, the factory building with a carrying amount of Rupees 141.122 million has been disposed of to M/s Interloop Limited as part of sale transaction discussed above.

An active programme to locate a buyer for remaining non-current assets classified as held for sale of Apparel Division and complete the disposal plan have been initiated. The proceeds from disposal of these remaining non-current assets classified as held for sale of Apparel Division are expected to exceed the carrying amount of these assets. The management is hopeful of completing the sale transaction during the next financial year.

Non-current assets classified as held for sale

The carrying amount of a non-current asset of the Apparel Division classified as held for sale during the year and disposed of to M/s Interloop Limited as part of the sale transaction referred above is as follows:

Transferred from operating fixed assets during the year:

Factory building	141,121,906	-
Less: Sale consideration	214,879,000	-
Gain on disposal of non-current asset classified as held for sale	<u>73,757,094</u>	<u>-</u>

Following are the carrying amounts of remaining non-current assets classified as held for sale of Apparel Division:

Plant and machinery	101,128,641	-
Electric installations	7,244,919	-
Furniture, fixtures and equipment	14,116,465	-
Computers	535,036	-
	<u>123,025,061</u>	<u>-</u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

	2011 Rupees	2010 Rupees
Analysis of the result of discontinued operation		
SALES	9,065,343	-
COST OF SALES	(25,696,429)	-
GROSS LOSS	(16,631,086)	-
DISTRIBUTION COST	(475,521)	-
ADMINISTRATIVE EXPENSES	(246,816)	-
OTHER OPERATING EXPENSES *	(8,004,291)	-
	(8,726,628)	-
	(25,357,714)	-
OTHER OPERATING INCOME **	76,010,656	-
PROFIT BEFORE TAXATION FROM DISCONTINUED OPERATION	50,652,942	-
TAXATION	1,050,247	-
PROFIT AFTER TAXATION FROM DISCONTINUED OPERATION	51,703,189	-

* It includes irrecoverable trade debts written off, other receivables written off, advances written off and sales tax recoverable written off amounting to Rupees 2.521 million, Rupees 4.641 million, Rupees 0.787 million and Rupees 0.056 million respectively.

** It includes the gain of Rupees 73.757 million on disposal of a non-current asset classified as held for sale during the year. It also includes credit balances written back amounting to Rupees 1.737 million.

	2011 Rupees	2010 Rupees
Analysis of the cash flows of discontinued operation		
Cash flows from operating activities	(214,842,262)	-
Cash flows from investing activities	214,914,809	-
	72,547	-

25.3 Surplus Industrial land

The Board of Directors of the Holding Company in its meeting held on 23 November 2010 also resolved to disposed of the surplus industrial land of the Holding Company, which was approved by the members of the Holding Company in Extraordinary General Meeting held on 24 February 2011. A portion of surplus industrial land was sold to M/s Interloop Limited as part of the sale transaction discussed above on 09 April 2011. As regards remaining surplus industrial land, the lenders of the Holding Company have expressed their interest in swap of their debt with surplus industrial land of the Holding Company and necessary formalities in this regard are being completed. Management of the Holding Company is hopeful of completing the disposal of surplus industrial land during the next financial year.

Non-current assets classified as held for sale

The carrying amount of surplus industrial land classified as held for sale during the year and disposed of to M/s Interloop Limited as part of the sale transaction referred above is as follows:

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

	2011 Rupees	2010 Rupees
Transferred from operating fixed assets during the year:		
Surplus industrial land	307,500,000	-
Less: Sale consideration	369,000,000	-
Gain on disposal of non-current assets classified as held for sale	<u>61,500,000</u>	<u>-</u>
Following is the carrying amount of remaining surplus industrial land classified as held for sale during the year:		
Surplus Industrial land	<u>250,000,000</u>	<u>-</u>
The surplus industrial land is being carried at its revalued amount with a surplus of Rupees 213.021 million included in the surplus on revaluation of operating fixed assets in Note 6.		
Analysis of the cash flows of discontinued operation		
Cash flows from investing activities	<u>369,000,000</u>	<u>-</u>
26 SALES		
Export	4,146,129,474	4,700,599,051
Local (Note 26.1)	1,202,132,139	1,676,010,904
Duty drawback	17,915,464	17,727,273
Export rebate	23,053,899	17,206,736
	<u>5,389,230,976</u>	<u>6,411,543,964</u>
26.1 Local sales		
Sales	1,021,240,285	1,639,440,448
Less: Sales tax	1,462,498	50,821,366
Less: Discount	<u>141,441</u>	<u>248,553</u>
	1,019,636,346	1,588,370,529
Processing income	<u>182,495,793</u>	<u>87,640,375</u>
	<u>1,202,132,139</u>	<u>1,676,010,904</u>
27 COST OF SALES		
Holding Company		
Raw material consumed (Note 27.1)	3,189,504,219	3,454,888,927
Chemicals consumed	481,415,673	612,588,557
Salaries, wages and other benefits	190,186,285	290,315,182
Employees' provident fund contributions	8,601,885	12,307,522
Cloth conversion and processing charges	21,166,505	38,210,858
Fuel, oil and power	613,275,530	726,318,820
Stores, spares and loose tools consumed	57,150,097	183,528,573
Packing materials consumed	31,844,842	96,706,257
Repair and maintenance	49,570,201	31,572,829
Insurance	6,699,196	6,050,041
Other manufacturing expenses	44,993,684	42,538,070
Depreciation on operating fixed assets (Note 14.1.6)	186,452,012	295,199,691
	4,880,860,129	5,790,225,327
Work-in-process inventory		
As on 01 July	<u>133,538,923</u>	<u>312,470,941</u>
As on 30 June	<u>(57,287,055)</u>	<u>(237,149,479)</u>
	76,251,868	75,321,462
Cost of goods manufactured	4,957,111,997	5,865,546,789
Cost of yarn and cloth purchased for resale	<u>91,799,868</u>	<u>46,875,845</u>
	5,048,911,865	5,912,422,634
Finished goods inventory		
As on 01 July	<u>588,210,457</u>	<u>631,137,183</u>
As on 30 June	<u>(332,514,919)</u>	<u>(656,556,721)</u>
	255,695,538	(25,419,538)
Cost of sales of Holding Company	<u>5,304,607,403</u>	<u>5,887,003,096</u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

	2011 Rupees	2010 Rupees
Stock consumed - Subsidiary Company		
Opening stock	35,537,776	31,009,710
Purchased during the year	139,278,520	175,537,114
	174,816,296	206,546,824
Closing stock	(22,093,025)	(35,537,776)
Cost of sales of Subsidiary Company	152,723,271	171,009,048
Cost of sales	<u>5,457,330,674</u>	<u>6,058,012,144</u>
27.1 RAW MATERIAL CONSUMED		
Opening stock	149,280,299	171,561,161
Purchased during the year	3,149,791,212	3,497,998,345
	3,299,071,511	3,669,559,506
Less: Closing stock	109,567,292	214,670,579
	<u>3,189,504,219</u>	<u>3,454,888,927</u>
28 DISTRIBUTION COST		
Salaries and other benefits	34,822,989	43,179,016
Employees' provident fund contributions	1,661,676	2,082,038
Travelling, conveyance and entertainment	10,374,241	25,656,242
Printing and stationery	137,318	2,170,159
Communications	14,185,345	17,975,320
Vehicles' running	2,748,694	3,140,711
Insurance	1,304,777	1,381,226
Fee, subscription and taxes	214,500	208,016
Repair and maintenance	43,243	130,154
Commission to selling agents	184,701,544	151,388,595
Outward freight and handling	94,725,006	138,912,370
Clearing and forwarding	20,009,526	34,606,327
Sales promotion and advertisement	962,856	2,596,263
Depreciation on operating fixed assets (Note 14.1.6)	1,457,574	2,159,129
Miscellaneous	1,272,432	4,030,847
	<u>368,621,721</u>	<u>429,616,413</u>
29 ADMINISTRATIVE EXPENSES		
Salaries and other benefits	96,158,196	117,972,357
Employees' provident fund contributions	2,511,092	3,268,825
Travelling, conveyance and entertainment	20,787,920	32,847,539
Printing and stationery	5,585,726	6,872,155
Communications	4,352,214	5,538,787
Vehicles' running	10,632,272	16,170,935
Legal and professional	11,348,836	6,970,483
Insurance	3,661,827	4,431,868
Fee, subscription and taxes	4,819,255	7,325,454
Repair and maintenance	7,050,471	2,935,939
Electricity, gas and water	3,838,539	3,995,673
Auditor's remuneration (Note 29.1)	1,425,000	1,441,000
Depreciation on operating fixed assets (Note 14.1.6)	19,199,571	26,430,281
Amortization on intangible assets (Note 14.1.7)	3,151,662	2,815,339
Miscellaneous	11,505,197	19,406,642
	<u>206,027,778</u>	<u>258,423,277</u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

	2011 Rupees	2010 Rupees
29.1 Auditors' remuneration		
Audit fee	1,250,000	1,200,000
Half yearly review and other certifications	165,000	200,000
Reimbursable expenses	10,000	41,000
	<u>1,425,000</u>	<u>1,441,000</u>
30 OTHER OPERATING EXPENSES		
Capital work-in-progress written off	148,259	-
Donations (Note 30.1)	254,285	87,132
Impairment loss on equity investment (Note 23)	11,813,550	73,689,552
Exchange loss	-	12,457,502
Provision for doubtful trade debts	-	50,283,028
Pilferage / expiry	943,882	1,031,127
Fine and penalties (Note 30.2)	44,500	-
Irrecoverable trade debts written off	132,105,838	-
Advances written off	22,027,224	-
Other receivables written off	3,345,407	-
Others	15,150	1,421,141
	<u>170,698,095</u>	<u>138,969,482</u>
30.1 None of the directors and their spouse have any interest in the donee's fund.		
30.2 This represents fines and penalties imposed by Magistrates on Subsidiary Company due to over pricing of pulses.		
31 OTHER OPERATING INCOME		
Income from investment in associated company		
Gain on sale of shares of Security General Insurance Company Limited	141,726,465	-
Dividend on equity investment in Security General Insurance Company Limited - associated company	3,042,108	4,153,216
Income from financial assets		
Exchange gain - net	25,710,287	-
Return on bank deposits	529,154	2,535,238
Income from non-financial assets		
Scrap sales and others	19,932,211	68,964,148
Gain on sale of operating fixed assets (Note 14.1.5)	2,383,106	2,422,222
Credit balances written back	8,580,739	-
Rental income (Note 31.1)	124,742	525,563
Advertisement income	108,671	351,000
	<u>202,137,483</u>	<u>78,951,387</u>
31.1 This represents income earned from provision of prominent places to suppliers for display of their products in Subsidiary Company's stores.	2011 Rupees	2010 Rupees
32 FINANCE COST		
Markup on long term financing	126,548,577	124,397,560
Mark up on short term borrowings	441,895,366	525,651,325
Interest on employees' provident fund trust	471,267	-
Bank commission and other financial charges	54,247,022	74,398,782
	<u>623,162,232</u>	<u>724,447,667</u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

			2011 Rupees	2010 Rupees
33		TAXATION		
		Current (Note 33.1)	45,370,394	55,513,164
		Prior year	851,678	(3,656,326)
		Deferred tax	(815,489)	(1,837,598)
			<u>45,406,583</u>	<u>50,019,240</u>

33.1 The Holding Company's provision for current income tax represents final tax on exports sales under section 169 of the Income Tax Ordinance, 2001. Provision for current income tax of Subsidiary Company represents minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001 and tax on income subject to final tax. Therefore, it is impracticable to prepare the tax charge reconciliations for the years presented. The Holding Company and Subsidiary Company have carry forwardable tax losses of Rupees 1,003.855 million and Rupees 222.890 million (2010: Rupees 944.829 million and Rupees 205.578 million) respectively.

34 LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share, which is based on:

			2011	2010
Continuing operations				
Loss for the year from continuing operations	(Rupees)		<u>(1,279,878,624)</u>	<u>(1,168,992,872)</u>
Weighted average number of ordinary shares	(Numbers)		<u>50,911,011</u>	<u>50,911,011</u>
Loss per share	(Rupees)		<u>(25.14)</u>	<u>(22.96)</u>
Discontinued operations				
Loss for the year from discontinued operations	(Rupees)		<u>(137,122,137)</u>	<u>-</u>
Weighted average number of ordinary shares	(Numbers)		<u>50,911,011</u>	<u>-</u>
Loss per share	(Rupees)		<u>(2.69)</u>	<u>-</u>

35 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits to chief executive, directors and other executives are as follows:

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	2,640,000	5,214,000	20,705,480	2,640,000	7,711,000	20,075,142
House rent	660,000	1,303,506	5,597,205	660,000	1,851,441	5,539,800
Utilities	264,000	521,364	2,112,217	264,000	740,573	2,007,273
Special allowance	528,000	1,042,800	3,667,516	528,000	1,481,150	3,494,068
Contribution to provident fund	264,000	521,400	2,064,552	264,000	771,100	1,888,582
Other allowances	444,000	989,580	3,794,880	444,000	2,131,236	2,550,732
	<u>4,800,000</u>	<u>9,592,650</u>	<u>37,941,850</u>	<u>4,800,000</u>	<u>14,686,500</u>	<u>35,555,597</u>
Number of persons	1	3	27	1	4	25

35.1 Chief executive, directors and executives of the Holding Company are provided with free use of Company's owned and maintained cars.

35.2 No remuneration was paid to directors and chief executive of the Subsidiary Company.

35.3 Meeting fee of Rupees 210,000 was paid to two directors for attending meetings during the year (2010: Rupees 180,000 paid to two directors for attending meetings.)

36 TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of associated undertakings, other related parties, key management personnel and provident fund trust. The Group in the normal course of business carries out transactions with related parties. There are no other transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

37	PLANT CAPACITY AND PRODUCTION	2011	2010
	Holding Company		
	Weaving		
	Number of looms in operation	174	174
	Number of looms inoperative	84	104
		258	278
	Rated capacity of operative looms converted to 60 picks (square meter)	48,892,878	48,892,878
	Actual production converted to 60 picks (square meter)	31,942,909	36,053,220
	Number of days worked during the year (3 shifts per day)	365	365
	Dyeing		
	Rated capacity in 3 shifts (linear meter)	30,000,000	30,000,000
	Actual production for three shifts	20,490,615	26,566,797
	No. of days worked during the year (3 shifts per day)	355	360
	Hosiery (Disposed of during the current year)		
	Number of knitting machines installed	-	480
	Number of knitting machines worked	-	242
	Rated capacity per day per machine 50 Dozs	-	8,760,000
	Actual production in Dozs	2,043,235	3,046,707
	Number of days worked during the year (3 shifts per day)	153	364
	Apparel (Discontinued operation)		
	Number of stitching machines	300	300
	Number of stitching machines worked	-	-
	Rated capacity in linear meters	2,304,000	2,304,000
	Actual production in linear meters	-	-
	Number of days worked during the year	-	-
	Genertek		
	Number of generators installed	9	9
	Number of generators worked	7	7
	Installed capacity (Mega Watt Hours)	291,446	291,446
	Actual generation (Mega Watt Hours)	42,733	70,080
	Standby generators		
	Nigatta / Caterpillars generators (Mega Watt Hours)	8,935	8,935
	Number of generators	2	2
	Plant operation capacity is based on 365 days (2010: 365 days)		
37.1	Underutilization of available capacity for weaving and dyeing divisions is due to normal maintenance and shortage of working capital.		
37.2	Actual power generation in Genertek in comparison to installed is low due to periodical scheduled and unscheduled maintenance of generators and low demand. During the maintenance period, electricity is supplied from standby generators.		

39 FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risks management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors of the Holding Company and the Subsidiary Company (the respective Boards). The Boards provide principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Group's foreign exchange risk exposure is restricted to foreign currency in hand, bank balances and the amounts receivable from / payable to the foreign entities. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Group's exposure to currency risk was as follows:

	2011	2010
Cash in hand - USD	1,170	1,063
Cash in hand - Euro	4,350	3,095
Cash at banks - USD	884	33
Trade debts - USD	4,165,530	6,112,072
Trade debts - Euro	244,632	269,676
Trade and other payable - USD	391,780	78,979
Net exposure - USD	3,775,804	6,034,189
Net exposure - Euro	248,982	272,771

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	85.39	84.27
Reporting date rate	85.85	84.60
Rupees per Euro		
Average rate	116.66	116.35
Reporting date rate	124.60	104.50

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 16.028 million and Rupees 1.536 million (2010: Rupees 26.731 million and Rupees 1.425 million) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Group is not exposed to commodity price risk.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Group's loss after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

Index		Impact on loss after taxation		Statement of other comprehensive income (fair value reserve)	
		2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
KSE 100 (5% increase)	Decrease in loss	1,158,853	1,749,531	Increase in fair value reserve	-
KSE 100 (5% decrease)	Increase in loss	1,158,853	1,749,531	Decrease in fair value reserve	-

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no significant long-term interest-bearing assets except for bank balances on saving accounts. The Group's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	25,181,503	577,931,776
Short term borrowings	-	2,199,084,000
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	199,251,898	18,845,140
Financial liabilities		
Long term financing	949,438,109	692,479,892
Short term borrowings	3,475,566,183	2,309,196,549

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss for the year would have been Rupees 42.257 million (2010: Rupees 30.017 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011 Rupees	2010 Rupees
Investments	77,888,756	272,263,843
Loans and advances	6,432,815	10,664,024
Deposits	12,736,334	12,537,173
Trade debts	498,802,691	774,726,517
Other receivables	40,925,141	20,108,703
Bank balances	<u>226,794,554</u>	<u>71,779,448</u>
	<u>863,580,291</u>	<u>1,162,079,708</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2011	2010
	Short Term	Long term	Agency	(Rupees)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	100,673	62,875
Allied Bank Limited	A1+	AA	PACRA	11,904,196	763,108
Askari Bank Limited	A1+	AA	PACRA	1,693,025	743,347
Bank Alfalah Limited	A1+	AA	PACRA	2,098,085	797,707
Faysal Bank Limited	A-1+	AA	JCR-VIS	489,740	490,436
Habib Bank Limited	A-1+	AA+	JCR-VIS	772,185	13,498,723
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	180,773,434	1,537,328
The Bank of Punjab	A1+	AA-	PACRA	23,251	4,094
Soneri Bank Limited	A1+	AA-	PACRA	7,385	7,985
MCB Bank Limited	A1+	AA+	PACRA	707,187	20,530
NIB Bank Limited	A1+	AA -	PACRA	11,411,358	15,366,018
Silkbank Limited	A-2	A -	JCR-VIS	9,255,085	20,680,011
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	6,807,706	3,455,595
United Bank Limited	A-1+	AA+	JCR-VIS	621,578	70,807
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	99,100	14,225,950
HSBC Middle East Bank Limited	P-1	A1	Moody's	20,566	44,934
Barclays Bank PLC	P-1	Aa3	Moody's	10,000	10,000
				<u>226,794,554</u>	<u>71,779,448</u>
Investments					
Maple leaf Cement Factory Limited	B	BB	PACRA	23,177,060	34,990,610
Security General Insurance Company Limited	A+		JCR-VIS	54,711,696	237,273,233
				<u>77,888,756</u>	<u>272,263,843</u>
				<u>304,683,310</u>	<u>344,043,291</u>

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 17.

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly the credit risk is minimal.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash. At 30 June 2011, the Group had Rupees Nil available borrowing limits from financial institutions but Rupees 231.874 million cash and bank balances. The management believes the liquidity risk to be manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	----- (Rupees) -----					
Long term financing	974,619,612	1,279,061,250	751,972,212	119,750,334	191,895,326	215,443,378
Trade and other payables	694,700,183	694,700,183	694,700,183	-	-	-
Accrued mark-up	996,903,370	996,903,370	996,903,370	-	-	-
Short term borrowings	3,475,566,183	3,719,798,535	3,719,798,535	-	-	-
	<u>6,141,789,348</u>	<u>6,690,463,338</u>	<u>6,163,374,300</u>	<u>119,750,334</u>	<u>191,895,326</u>	<u>215,443,378</u>

Contractual maturities of financial liabilities as at 30 June 2010

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	----- (Rupees) -----					
Long term financing	1,270,411,668	1,475,743,844	648,867,266	144,269,072	268,075,116	414,532,390
Trade and other payables	1,181,785,038	1,181,785,038	1,181,785,038	-	-	-
Accrued mark-up	494,147,375	494,147,375	494,147,375	-	-	-
Short term borrowings	4,508,280,549	4,790,012,236	4,790,012,236	-	-	-
	<u>7,454,624,630</u>	<u>7,941,688,493</u>	<u>7,114,811,915</u>	<u>144,269,072</u>	<u>268,075,116</u>	<u>414,532,390</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 7 and note 12 to these financial statements.

39.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	.....Rupees.....			
As at 30 June 2011				
Assets				
Available for sale financial assets	<u>23,177,060</u>	<u>-</u>	<u>54,711,696</u>	<u>77,888,756</u>

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

As at 30 June 2010

Assets

Available for sale financial assets	34,990,610	-	237,273,233	272,263,843
-------------------------------------	------------	---	-------------	-------------

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimate. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. The Group has no such type of financial instruments as at 30 June 2011.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

39.3 Financial instruments by categories

	Loans and receivables		Available for sale	Total
As at 30 June 2011	.....Rupees.....			
Assets as per balance sheet				
Investments	-		77,888,756	77,888,756
Loans and advances	6,432,815		-	6,432,815
Deposits	12,736,334		-	12,736,334
Trade debts	498,802,691		-	498,802,691
Other receivables	40,925,141		-	40,925,141
Cash and bank balances	231,873,845		-	231,873,845
	790,770,826		77,888,756	868,659,582
			Financial liabilities at amortized	
			.....Rupees.....	
Liabilities as per balance sheet				
Long term financing				974,619,612
Accrued mark-up				996,903,370
Short term borrowings				3,475,566,183
Trade and other payables				694,700,183
				6,141,789,348
As at 30 June 2010	.....Rupees.....			
Assets as per balance sheet				
Investments	-		272,263,843	272,263,843
Loans and advances	10,664,024		-	10,664,024
Deposits	12,537,173		-	12,537,173
Trade debts	774,726,517		-	774,726,517
Other receivables	20,108,703		-	20,108,703
Cash and bank balances	76,534,530		-	76,534,530
	894,570,947		272,263,843	1,166,834,790

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

	Financial liabilities at amortized cost
	.....Rupees.....
Liabilities as per balance sheet	
Long term financing	1,270,411,668
Accrued mark-up	494,147,375
Short term borrowings	4,508,280,549
Trade and other payables	1,181,785,038
	7,454,624,630

39.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stake holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to share holders, issue new shares or sell assets to reduce debt.

40 AUTHORIZATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on 03 October 2011.

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged/ regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made except for the followings:

Security deposit of Rupees 8.775 million has been reclassified from 'trade deposits and short term prepayments' to 'long term security deposits'.

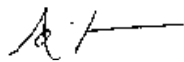
Fuel stock of Rupees 11.403 million has been reclassified from 'stock-in-trade' to 'stores, spares and loose tools'.

Electricity duty of Rupees 2.662 million has been made part of cost of sales instead of netting off with local sales.

Fuel consumed amounting to Rupees 641.841 million has been reclassified from 'raw material consumed' to 'fuel, oil and power' in cost of sales.

42 GENERAL

Figures have been rounded off to nearest of Rupee.



CHIEF EXECUTIVE



DIRECTOR

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

The Companies Ordinance, 1984
(Section 236(1) and 464)

Form - 34

PATTERN OF SHAREHOLDING

1. CUI Number	17194
2. Name of Company	KOHINOOR MILLS LIMITED
3. Pattern of holding of shares held by the shareholders as at	June 30, 2011

4. Number of Shareholders	Shares held Range		Total Shares held	Percentage
	From	To		
365	1	100	8,572	0.02
805	101	500	172,430	0.34
142	501	1000	105,029	0.21
227	1001	5000	531,261	1.04
30	5001	10000	211,822	0.42
20	10001	15000	255,364	0.50
13	15001	20000	223,987	0.44
11	20001	25000	253,347	0.50
3	25001	30000	82,394	0.16
3	30001	35000	97,145	0.19
1	35001	40000	39,128	0.08
3	40001	45000	123,932	0.24
2	45001	50000	93,025	0.18
3	50001	55000	159,499	0.31
2	55001	60000	116,684	0.23
1	60001	65000	62,664	0.12
2	65001	70000	135,795	0.27
2	70001	75000	149,492	0.29
2	75001	80000	154,138	0.30
1	80001	85000	81,367	0.16
1	130001	135000	132,261	0.26
1	140001	145000	141,000	0.28
1	230001	235000	231,639	0.45
1	285001	290000	286,000	0.56
1	295001	300000	300,000	0.59
1	360001	365000	361,484	0.71
1	390001	395000	392,166	0.77
1	415001	420000	418,180	0.82
1	520001	525000	520,684	1.02
1	545001	550000	547,932	1.08
1	680001	685000	683,549	1.34
1	765001	770000	768,500	1.51
1	930001	935000	934,626	1.84
1	1005001	1010000	1,007,700	1.98
1	1090001	1095000	1,090,700	2.14
1	1230001	1235000	1,232,257	2.42
1	1240001	1245000	1,240,022	2.44
1	2760001	2765000	2,762,357	5.43
1	4520001	4525000	4,522,059	8.88
1	10090001	10095000	10,090,514	19.82
2	10095001	10100000	20,190,306	39.66
1,660	T o t a l		50,911,011	100.00

Note: The slabs not applicable, have not been shown.

Kohinoor Mills Limited and its subsidiary - Annual Report 2011

5. Categories of Shareholders	Shares held	G.Total	Percentage
5.1 Directors, Chief Executive Officer, their Spouse and Minor Children			
Mr. Aamir Fayyaz Sheikh (Chief Executive/Director)	10,095,178		19.8291
Mr. Asad Fayyaz Sheikh (Director)	10,095,178		19.8291
Mr. Ali Fayyaz Sheikh (Director)	10,090,564		19.8200
Mr. Rashid Ahmed (Director)	80,850		0.1588
Mr. Kamran Shahid (Director)	52,500		0.1031
Mr. Tahir Bashir Solehria (Director)	2,500		0.0049
Mr. Aamir Amin (NIT Nominee)	7	-	
		30,416,770	
5.2. Associated Companies, Undertakings and Related Parties			
-			
5.3 NIT and ICP			
Investment Corporation Of Pakistan		2,200	0.0043
National Bank of Pakistan, Trustee Deptt.	3	<u>4,584,723</u>	9.0054
		4,586,923	
5.4 Banks, Development Financial Institutions, & Non-Banking Financial Institutions			
	12	<u>2,704,998</u>	2,704,998
			5.3132
5.5 Insurance Companies			
	3	<u>1,774,374</u>	1,774,374
			3.4852
5.6 Modarabas and Mutual Funds			
	6	<u>2,263,101</u>	2,263,101
			4.4452
5.7 Share holders holding 10% and more			
<i>Refer 5.1</i>			
5.8 General Public			
a. Local	1583	7,724,043	15.1717
b. Foreign	5	114,538	0.2250
c. Joint Stock Companies	35	<u>370,903</u>	0.7285
			8,209,484
5.9 Others			
LAHORE STOCK EXCHANGE		680	0.0013
TRUSTEE-KOHINOOR MILLS LTD. STAFF PROV FUND		909,500	1.7865
TRUSTEES AL-MAL GROUP STAFF PROVIDENT FUND		1,695	0.0033
TRUSTEES MOOSA LAWAI FOUNDATION		9,015	0.0177
TRUSTEES SAEEDA AMIN WAKF		11,180	0.0220
TRUSTEES MOHAMAD AMIN WAKF ESTATE		<u>23,291</u>	0.0457
	6		955,361
Total :	1,660	50,911,011	100.00

Form of Proxy
24th Annual General Meeting

I/We _____
of _____ in the district of _____
being a member of **KOHINOOR MILLS LIMITED** hereby appoint _____

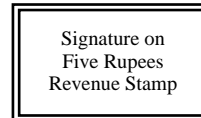
_____ of _____ another member of the Company or failing him/her
appoint _____

_____ of _____ another member of the Company as my / our proxy

to vote for me/us and on my/our behalf, at the **24th Annual General Meeting** of the Company to be held on **Monday, October 31, 2011 at 3:00 pm.** and at any adjournment thereof.

As witness my/our hand seal this _____ day of _____, 2011

Folio No.	CDC Account Holders		No. of Ordinary Shares held
	Participant I.D. No.	Account / Sub-Account No.	



The Signature should agree with the specimen registered with the Company

Witness 1

Signature _____
Name _____
CNIC No. _____
Address _____

Witness 2

Signature _____
Name _____
CNIC No. _____
Address _____

Important Notes:

- Proxies, in order to be effective, must be received at the Company's Registered Office situated at 8th K.M. Manga Raiwind Road, District Kasur, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
- No person can act as proxy unless he / she is member of the Company, except that a corporation may appoint a person who is not a member.

For CDC Account Holders / Corporate entities

In addition to the above, the following requirements have to be met.

- The proxy form shall be witnessed by two persons whose names, addresses and computerized National Identity Card (CNIC) number shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- The proxy shall produce original CNIC or passport at the time of attending the meeting.
- In case of the Corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company